

NEWS: INTERNATIONAL

Share incentive plan disappoints Italian brokers

By Haig Simonian in Milan

ITALY'S stock brokers yesterday reacted with disappointment to the cabinet's plan, announced on Thursday, to amend the country's complex capital gains tax and introduce new measures to encourage share buying and boost the bourse.

The steps, which fall short of suspending the tax as first thought, offer a variety of incentives for individuals to buy shares, particularly of new issues. The draft law, expected to be passed next month after comment from stock brokers, should help to buoy the flagging stock market and pave the way for privatisation.

However, Italian equities fell to a new low for the year yesterday on the back of this trading and adverse reaction to the decision by Moody's, the US rating agency, to downgrade Italy's foreign debt. The Comit equity index fell by 1.5 per cent to 383.70, its lowest since the mid-1980s.

On the foreign exchanges, the lira slipped further against the D-Mark, closing at 760.02, down from 759.17 on Thursday. The Bank of Italy did not

intervene in spite of the fall, partly because trading was very quiet before today's Assumption Day holiday in Italy.

Mr Giovanni Goria, the finance minister, reacted angrily to the Moody's decision, which he described as "unfounded". "This is a wrong judgment," he said. Meanwhile, officials at the Bank of Italy were reported as dismissing the downgrading as being "out of date" in view of the new government's efforts to cut the huge budget deficit.

In a television interview, Mr Piero Barucci, the treasury minister, said the step was "nothing tragic. It will increase the Italian government's determination to continue on the road it has chosen."

Ministers also stressed the stock market's ills could not be attributed wholly to the government. According to Mr Goria, "the problems of the stock market have 1,000 motives". Nevertheless, ministers are hoping the incentives and tax breaks they have unveiled will stimulate the market once brokers digest their implications.

EC-Japan copier row may reopen

By Andrew Hill in Brussels

THE European Commission is to consider renewing duties on Japanese photocopyers imported into the EC, reopening one of the largest and most controversial anti-dumping cases of recent years.

Brussels announced yesterday it would re-examine anti-dumping duties of up to 20 per cent first imposed in 1987. The duties are supposed to protect European copier manufacturers from imports allegedly sold at an artificially low price.

The measures were due to expire this year, but Olivetti of Italy, Rank Xerox of Britain, and Océ of the Netherlands have warned that if the duties are lifted their business will suffer.

Investment, prices and sales are being depressed by cheap Japanese imports, according to the European manufacturers. Since the mid-1980s, several of the original EC complainants have gone out of business or been bought by Japanese companies.

The 1987 decision to penalise Japanese copier manufacturers led indirectly to the introduction of controversial "screwdriver" rules by the EC. These were supposed to stop non-EC companies getting round anti-dumping duties on complete products by exporting the parts to the EC or US and assembling them there.

The screwdriver rules were introduced in 1989, following a Brussels investigation into a Ricoh photocopying plant in the US. They were outlawed by a GATT panel in 1990 and have not been applied since.

A Commission official said yesterday he did not expect the new inquiry into photocopyers to reopen the debate over screwdriver plants in the EC. Japanese manufacturers lost their European Court appeal against the original decision in March. Most of them are involved in the new inquiry. They are Canon, Copier, Fuji Xerox, Konishiroku Photo Industry, Kyocera, Matsushita, Minolta Camera, Ricoh, Sanyo Electric, Sharp and Toshiba.

Prices fall sharply in Germany

A STEEP drop in German wholesale and producer prices in July will take some of the sting out of west Germany's troublesome inflation rate and reduce the chance of higher interest rates, private economists said yesterday.

They were commenting on Federal Statistics Office data which showed that wholesale prices plunged 1.3 per cent in July from June and were down 0.9 per cent from a year earlier.

The first year-on-year decline in two years. The result was well below independent forecasts of a monthly rise of 0.6 per cent and marked a sharp swing from June's year-on-year increase of 1.2 per cent.

July producer prices fell 0.1 per cent from June and were up 1.1 per cent year on year. That was down from a 2 per cent year-on-year rise in June and a third of last July's 3.3 per cent rise. It was also below economists' forecasts.

Mr Ulrich Beckmann, economist at Deutsche Bank, said: "The stronger mark and lower import prices are the key reasons for the drop."

Mr Hans Tietmeyer, Bundesbank deputy president, told German television yesterday that the slowing in inflationary pressures reflected in the two indicators was "pleasing" but warned it was due in part to import prices weakened by the strong mark.

"That is not a stability generated by domestic factors," he said. "It is partly the result of import prices and exchange rates."

Western Germany's annual inflation rate dropped to 3.3 per cent in July from 4.3 per cent in June, the lowest since May 1991. The steep decline was caused by petrol taxes - which rose sharply last July - dropping out of the yearly comparison.

Mr Tietmeyer said the Bundesbank would review German interest rate levels in a few months. The Bundesbank raised its discount rate to a record 8.75 per cent from 8.00 per cent last month.

Poland's former PM heads UN Bosnia probe

By Frances Williams in Geneva

THE United Nations Human Rights Commission yesterday unanimously approved a resolution appointing a special investigator to compile evidence on human rights abuses in Bosnia-Herzegovina and elsewhere in the former Yugoslavia. The investigator will be Mr Tadeusz Mazowiecki, former prime minister of Poland.

The US-drafted resolution calls for the investigator's report to be completed by August 28 and presented, with recommendations, to the Human Rights Commission and the Security Council. US and other western diplomats say they will then consider what further action might be needed to stop the abuses.

The resolution condemns "widespread, massive and grave" human rights violations and the practice of "ethnic cleansing", demands immediate release of all those arbitrarily detained and access for the International Committee of the Red Cross to all detention camps and prisons.

Islamic countries, led by Turkey and Egypt, supported the resolution despite failing to secure changes naming Serbia as the principal perpetrator of human rights violations and Muslims as the main victims.

Western diplomats said yesterday that specific condemnation of Serbia should follow rather than precede the special investigator's report, which is intended to be an authoritative and objective assessment of the evidence. They also expressed fears that singling out Serbia and Serb forces at this stage could hamper the investigator's work.

Mr Mazowiecki is expected to start work within the next few days, after confirmation of his appointment by the UN's Economic and Social Council on Monday. The self-styled Serb-dominated Federal Republic of Yugoslavia yesterday pledged its full co-operation with Mr Mazowiecki's investigation.

The US said it was pleased with the outcome of the exceptional two-day session of the Human Rights Commission, which was convened at Washington's request.

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Miyazawa turns to Keidanren

By Gordon Gresham in Tokyo

MR. Kichiji Miyazawa, the Japanese prime minister, is today to meet the head of the Keidanren, the country's influential business grouping, for what were described as emergency talks on ways to buoy the slowing domestic economy.

The talks with Mr. Gaisai Hiraiwa, who is also chairman of Tokyo Electric Power, come at Mr. Miyazawa's request. They follow a week in which the Tokyo stock market has touched six-year lows, most economic data have continued to be discouraging, and ministries have squabbled over the size and content of a package of stimulatory measures.

No immediate solutions were expected from the meeting. Equities yesterday managed their first rally in seven trading days on largely technical factors. The Nikkei average of 225 leading companies was 5208 points higher at 14,820.25.

The Ministry of International Trade and Industry (MITI) yesterday revised upwards its industrial production statistics for June, but an official said the underlying tone was weak. Seasonally adjusted production in manufacturing and mining rose 2.5 per cent from May, MITI said, compared with its preliminary figure of 2.1 per cent. The index of shipments rose 0.7 per cent month-on-month, but compared with June 1991, production was down 3.9 per cent and shipments fell 3.5 per cent.

The Bank of Japan meanwhile announced that domestic wholesale prices, although 0.1 per cent higher in July than the previous month because of higher electricity charges, were down 0.7 per cent from a year earlier.

Evidence of continued weak consumer demand came yesterday in sales for July at Tokyo department stores, which were down 3.7 per cent from a year earlier, the fifth monthly fall in a row.

The Japan Department



Tokyo Stock Exchange floor dealers send hand signals in mixed trading yesterday. Discouraging economic data have pushed the market to six-year lows

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China launches into space market

New entrant breathes a sigh of relief, write Daniel Green and Yvonne Preston

CHINA SENT an Australian telecommunications satellite into orbit yesterday confirming the country's arrival in the commercial space market.

The satellite, Optus B1, will provide television and telephone links for Australia and New Zealand.

The launch success, which followed a failed attempt in March, was good news for the members of the Optus consortium: BellSouth of the US, Cable and Wireless of the UK and the Mayne Nickless group of Australia. They paid \$200m (£77m) to buy, launch and insure the satellite to provide pay TV for Australia and New Zealand.

Jubilant at mission control, Xichang satellite launch centre in a remote corner of China's south west Sichuan province, was tempered with relief.

The first attempt to launch Optus B1, made by Los Angeles-based Hughes Aircraft, failed when a short circuit cut off the flow of fuel to the rocket engines.

Viewers around the world watching the live television coverage saw rocket ignite then fall to move as flames and smoke billowed from its base.

Neither the rocket launcher, Long March 2E, nor the satel-

Taiwan, easing restrictions on economic ties with China, has drafted regulations which will let local banks deal directly with their Chinese counterparts, government officials said yesterday. Reuter reports from Taipei.

Overseas branches of Taiwanese banks will be allowed to negotiate letters of credit and foreign exchange remittances with Chinese banks, officials of the Monetary Affairs Bureau said. At present, Taiwanese banks can only deal with Chinese financial institutions through foreign banks.

Vice-Finance Minister Lee Chung-ying told reporters the reform would assist the flow of funds between the two sides and make it easier for Taiwanese banks to profit from the rapid growth of trade and investment. However, Taiwan will continue to ban its banks from setting up branches inside China.

lite was damaged. But the televised failure was a loss of face for the Chinese and a setback to China's commercial space prospects.

The approach to yesterday's relaunch was considerably toned down, said Mr Gordon Pike of Optus at the launch site. Everybody was nervous, especially the Chinese. A launch this time was crucial to the future of China's commercial space programme, he said.

Optus has said it saved about \$100m by launching the satellite in China. China charges about US\$30m, compared with at least \$50m on US or European launchers, but the price of a Chinese launch is now likely to rise because of a deal struck between Beijing and Washington.

China has been trying for several years to break into the

for commercial launches are made by defence companies McDonnell-Douglas, General Dynamics and Martin Marietta. They ran down their commercial programmes in the 1980s as the Nasa Space Shuttle programme grew.

As a result, they were badly placed to pick up business when, after the Challenger space shuttle exploded in 1987, Nasa said it would no longer offer commercial launches.

The departure of Nasa also encouraged other countries to examine the possibility of offering commercial space products.

Among them were Russia, which will probably also be subject to a pricing and frequency deal with Washington, and Japan, where snags with test firings mean that the first launch has been postponed to 1994.

Beijing has worked hard to build its head start over Russia and Japan.

It first received international attention with the April 1990 launch of the Hughes-built Asiasat owned by Hong Kong-based Asia Satellite Telecommunications.

Yesterday's launch was part of a \$358m contract between Optus and Hughes to make, launch and insure two satellites. The second launch is due in October.

Washington is trying to protect an industry in trouble. The US is finding it difficult to win business in competition with the European consortium Arianespace.

This is partly because the main US rockets available

NEWS IN BRIEF

Singapore journalists held for questioning

THREE journalists working for the newspaper Business Times are being questioned by officers of the Internal Security Department, the government said yesterday, AP reports from Singapore.

Mr Mano Sabhani, managing editor of English and Malay newspapers for Singapore Press Holdings, said that Mr Patrick Daniel, editor of Business Times, associate editor Margaret Thomas, and senior reporter Ms Anna Teo had been taken to the Internal Security Department for questioning.

Officers of the department searched the offices of Business Times on Thursday, the Home Affairs Ministry said in a statement. It said an investigation of alleged use of classified information was being conducted under the Official Secrets Act. The investigation appeared to concern a front-page article in the newspaper on June 29 about Singapore's economic performance in the second quarter of the year, Sabhani said.

"The early indications point to a second-quarter growth of 4.8 per cent to 4.9 per cent," the Business Times article said. The government later released official figures on August 8 giving second-quarter growth as 4.7 per cent.

Kabul troops repulse rebels

Troops loyal to the Islamic government in Kabul have repulsed violent assaults by rebel mujahideen fighters yesterday, agencies report from Kabul.

However Gen. Majid Khan told reporters that he anticipated another round of fighting as forces loyal to firebrand fundamentalist Gulbuddin Hekmatyar prepared to make another bid for the battle-weary capital.

"He will try again. But we won't let him," said Gen. Khan, without elaborating how government soldiers proposed stopping him.

After more than a week of relentless rocketing, the capital was quiet yesterday. But the bloodletting injured hundreds of people and left no water or electricity and meager medical supplies.

UN to pressurise Libya

The UN will make a further attempt next week to persuade Libya to surrender to a Scottish court the two agents accused of the Lockerbie bombing, writes Michael Littlejohns in New York.

Mr Boutros Boutros Ghali, the secretary-general, is sending a personal letter to Colonel Muammar Gaddafi, the Libyan leader, following the Security Council's recent decision to keep sanctions against the Tripoli government in place.

The UN announced last night that Vladimir Petrovsky, a former Soviet deputy foreign minister now running the council's secretariat, would go to Libya on Monday to deliver the message and hold talks with the authorities there.

ANC torture inquiry

An African National Congress inquiry into charges that dissidents were tortured by ANC officials has uncovered "shocking abuses," a newspaper reported yesterday, AP reports from Johannesburg.

The Weekly Mail said it learned from unidentified sources that the probe into alleged abuses at ANC camps in other African countries put much of the blame on former ANC security chief Mzwai Piliso.

"ANC's torture chief named," said the newspaper's front-page headline. The anti-apartheid Weekly Mail is widely seen as South Africa's leading investigative paper and has uncovered stories embarrassing to the white-minority government and various black groups.

"The ANC's inquiry into the treatment of detainees in its camps in exile has uncovered evidence of shocking abuses," the newspaper said.

Mr Piliso, now head of the ANC's personnel department, was "directly implicated in some of the assaults on prisoners," the article said. Mr Piliso was quoted in the report as saying he was following instructions.

The ANC said yesterday it had no comment on The Weekly Mail report. It has said the dissidents were undercover government agents.

Thai probe uncovers 111 deaths

An official committee set up to probe the violent suppression of pro-democracy demonstrations in May has concluded that 111 persons died in the incident, over twice as many as reported by the interior ministry, a newspaper said yesterday, AP reports from Bangkok.

In addition to the 42 fatalities officially listed by the ministry, another 69 people were confirmed missing by the committee and are presumed dead, committee chairman Sophon Rattanakorn was quoted as saying by the Thai-language newspaper Thai Rath.

Hundreds of people were injured during the May 17-21 protests when troops opened fire on demonstrators demanding the resignation of then-prime minister Mr Suchinda Kraprayoon because he had been appointed to the job without running for parliament. Mr Suchinda resigned in disgrace soon after the shootings.

Kenya opposition figure dies

A leading member of Kenya's squabbling opposition died yesterday, increasing the likelihood of a final split before the east African country's first multi-party polls in 26 years, Reuter reports from Nairobi.

Mr Masinde Muliro, 72, interim vice-chairman of the main opposition Forum for the Restoration of Democracy (FORD) party, collapsed at Nairobi airport after returning from a private visit to Britain.

"Muliro stumbled and fell after his passport was stamped. We thought he was only slightly hurt. But airport doctors pronounced him dead soon after," one witness said.



A few of my Favorit things.

☺ **FAMILY** Sundays. A drive through the lush green of the Vale of Evesham. **GAMES** on the way. I-SPY with my little eye something beginning with F. Too easy. Miss a turn. How many white cars will we pass in the next two minutes? **SPOTTING** another Favorit. **WAVES** and smiles. **SOMEBODY** else who recognises 1.3 litres of value when they see it. **TURNING** in at the gate. **HAPPINESS** tinged with sadness at the journey's end. **WISH** they lived a bit further away. **KISSES** all round. **THE** children discover how much they've grown since Mum and Dad saw them last before they're swallowed by the garden. **TEA** and tittle-tattle in the conservatory. **COOLING** our feet in the stream. **Mouthwatering** aromas wafting down to us from the house. **LUNCH**. **LAUGHTER**. **FRESH** vegetables, picked by Dad that morning. **WHY** does her gravy taste so much better than mine? **FAMILY** discussions (never arguments). **SUBJECTS** range from potty-training to politics to the price of cars. **NOBODY** believes we paid so little for so much. **BOB** takes his brother for a spin. **IMPRESSED**, but still not convinced. He always was a slow learner. **HOMEWARD** bound, five gears eating up the miles. **SEE** you all again soon. **VERY** soon. ☺



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a probe

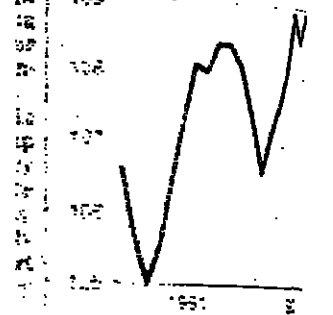
ICRC visits. Mr Pierre Gauthier of the ICRC said some of the prisoners previously in Omaria had been moved to camps in Tripoli and Manja. He said about 2,500 people were being held in Tripoli and 2,500 in Manja. The ICRC has also visited a north of Manja, bringing to the number of detention centres it has visited in Libya.

Industrial output up slightly in US

By Michael Prowse in Washington

US INDUSTRIAL production rebounded modestly last month after a dip in June, but the underlying trend was to the Federal Reserve report. Production rose 0.4 per cent last month largely as a result of a rebound in steel output, which was depressed in June by a new strike and high output at utilities. It increased 0.9 per cent in June and left annual output 0.5 per cent higher in a year.

US industrial production



Source: Federal Reserve Board

Industrial production in the US has been strong since the end of 1990, but a dip in June was followed by a rebound in July.

The rebound was largely due to a rise in steel output, which had been depressed by a new strike and high output at utilities.

Overall, industrial production rose 0.4 per cent in July, leaving it 0.5 per cent higher than a year earlier.

The annual rate of growth in industrial production was 2.1 per cent in July, compared with 1.9 per cent in June.

The rebound in July was a welcome sign for the economy, which has been struggling since the end of 1990.

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Rules eased for life insurers' solvency

By Norma Cohen,
Investments Correspondent

THE GOVERNMENT actuary has told life insurers he will relax regulations regarding the calculation of regulatory solvency margins in the light of recent falls in equity prices.

The move will ease growing pressure on with-profits life companies to sell a portion of their equity holdings at what could be the bottom of the market and move into bonds.

Mr Chris Daykin, chief government actuary, said in a letter to life insurers that they may breach an existing "resilience" rule on asset portfolios if they discuss the matter with his office first. The rule, set in 1985, requires companies to meet regulatory ratios even if

the value of their equities falls by 25 per cent. With-profits life companies, which pay bonuses to policy holders based on past, current and future investment returns, are required to have assets equal to 104 per cent of liabilities.

"This letter was intended to provide some comfort to those who might be up against their regulatory minimums," Mr Daykin said. The letter says that those companies whose equity portfolios broadly correspond to the FT All Share Index, currently producing a dividend yield of 5.29 per cent, may be allowed to assume a more modest fall in equity prices. This would mean the insurer would need to hold slightly fewer assets as reserves. Mr Daykin said it was

not intended that the 25 per cent rule should be reduced significantly. Instead, those with portfolios yielding 5.5 per cent to 6 per cent would be allowed to assume a decline of about 20 per cent to 22 per cent in equity prices when calculating how much they needed to hold in reserve. Several insurers have already said that they are committing new cashflow to bonds rather than equities. Bonds are yielding 9 per cent to 10 per cent, well above the yields on equities.

In his letter, Mr Daykin said that the current regulations, whereby portfolios must withstand a rise of 3 percentage points in interest rates, are reasonable in the market conditions and would not be changed.

New ratios offer a reprieve to equities

LIFE insurance companies, looking with concern at UK equity prices - which in spite of yesterday's rise in the FT-SE index of nearly 30 points are still 381 points below the year's high - can breathe slightly easier following a relaxation in regulations on minimum solvency ratios.

The relaxation also offers a reprieve for the UK stock markets, where prices could have been depressed even further if life insurers were forced to dump equities and switch into higher yielding bonds in order to meet regulatory ratios.

Mr Peter Turvey, senior life insurance industry consultant at actuaries Mercer Fraser, said: "The message to life insurers is 'Don't panic'. They are saying there is no need to get out at the bottom simply to meet regulatory rules which were drafted for better times."

The mechanics of the relaxation, the handwork of the Government Actuary's Department, centre on the manner in which with-profits life companies calculate the value of asset portfolios. When asset prices fall - as stock prices have been all year - companies find they may not have enough assets to meet regulatory capital ratios.

Broadly speaking, with-profits life insurers are required to have enough assets to meet 104 per cent of liabilities. Calculations of liabilities must take into account "the reasonable expectations of policyholders", roughly interpreted to mean that life insurers may not simply renounce all bonuses for a given year for regulatory capital purposes. Bonuses payable to policyholders in any given year and bonuses declared but

Norma Cohen
investigates
how asset
portfolios will
be evaluated

not yet paid out in previous years constitute liabilities. But the value of assets - typically stocks, bonds and property - varies daily. Since 1985 the GAD has insisted that the 104 per cent minimum be met even if the value of equities in the portfolio falls by 25 per cent. Life insurers must also see that asset values meet a "resilience test".

That means they must assume the value of property holdings could fall by 25 per cent and that fixed-interest investments could be undermined by a rise in rates of as much as 3 percentage points.

Hence, in order to have assets of 4 per cent in excess of liabilities, insurers must hold somewhat more than that. But how much more has become increasingly at issue as equity prices have sagged throughout the year.

The slide in stock prices of roughly 16 per cent since the beginning of this year has brought a number of life insurers perilously close to their regulatory minimum ratios, said Mr Trevor May, life insurance industry analyst at Nomura Securities. At least one mid-sized life insurer made a large switch out of equities into bonds after the general election in April in order to meet regulatory requirements,

industry sources said. Other smaller switches are in train.

In a letter dated July 31 Mr Chris Daykin, the government actuary, told life company actuaries that for those whose equity portfolios had already sunk in value to the point where dividend yields were 5.25 per cent, it may not be necessary to build in assumptions of another 25 per cent fall. The dividend yield on the FT-All Share Index as of Friday morning was 5.29 per cent and some companies have portfolios yielding more than that.

Mr Daykin said that the industry has been concerned about the resilience test for some time. While 25 per cent may be too great a margin in circumstances where a significant price drop has already occurred, it may be too low for the type of frothy market which preceded the stock market crash of October 1987.

Indeed, in early July, the Institute and Faculty of Actuaries, the professional body for actuaries, issued a Temporary Practice Note saying that life company actuaries should insist on a resilience test they deemed appropriate rather than simply relying on the existing GAD guidelines.

Meanwhile, Mr Daykin appeared to open the door to a more liberal interpretation of resilience tests for property assets, which have been written down significantly in many life companies' portfolios.

"Property portfolios tend to differ widely. They tend to be rather lumpy," Mr Daykin said. Hence, particularly in the current environment, it would be difficult to apply an across-the-board resilience test to decide on a single appropriate safety margin for property.

Bristol & West joins retail group

By David Barchard

BRISTOL & WEST, the 10th largest building society, has broken ranks with the rest of the financial services industry and joined the British Retail Consortium, the retailers' lobby group known for its confrontations with the banks and building societies over the pricing of financial services.

The consortium said yesterday: "Bristol & West are on the high street and they are offering a consumer service." It said that by including Bristol & West

in its membership it would be better able to understand the ways in which financial services companies worked.

"This is a big step forward for us," the consortium said.

However, an official said that she was not certain how an application for membership from the Big Four high street banks would be received. The banks have been in a sometimes acrimonious dialogue with the consortium for several years.

The official said: "I don't know if they

would be interested in joining us. We would view each application for membership on its individual merits."

Bristol & West does not issue any credit or debit cards and so is not likely to find itself at loggerheads with the rest of the consortium. The society declined to comment on whether it had taken the reactions of other financial services institutions into account before joining the consortium.

The society said the move was a result of its determination to become a

leading high street retailer of financial services, which had been shown in the opening of five new financial centres in southern Britain.

Mr James May, consortium director-general, said the consortium would be joining a campaign to persuade the Treasury to extend the moratorium on stamp duty beyond August 19.

He said: "Helping the economy by kick-starting the housing market is just one example of how our membership is working together in the interests of the retail customer."



Back in control: trainee BR driver Anthony Carbon, who was recruited after a Gate course for homeless and jobless people

Gateway out of poverty trap

MR ANTHONY Carbon was successfully running his London-based business as a disc jockey. Then he broke with his business partner and had to leave home for family reasons. At 20 he was homeless and jobless: "I felt trapped," he said.

For nearly a year he slept where he could. When friends ran out of hospitality he was reduced to living on the streets before finding accommodation at a hostel.

Mr Carbon was an example of the link between urban homelessness and unemployment: "I was looking to restart my career, but with a hostel address companies weren't interested."

It was then he spotted a leaflet advertising Gate, a scheme which aims to break the "no-home no-job" syndrome. The

project guarantees jobs and help with finding accommodation to homeless people who complete a training course designed by British Rail and the London Enterprise Agency.

There are now 66 Gate graduates working at BR's Network SouthEast and the course, which has been going for more than a year, boasts a 95 per cent success rate. Mr Carbon is on the BR payroll as a trainee train driver and hopes to leave the hostel soon.

The scheme is based in London where several boroughs come high on the government "deprivation index". This is used in the designation of urban programme areas eligible for special grants.

Unemployment in these areas accounts for 40 per cent of all unemployment in England and Wales. The areas

host a concentration of measures to alleviate unemployment such as Employment Training (ET) and Employment Action, which offers the unemployed work experience or community projects.

The Gate project is a model of what the government hoped would result from co-operation between public-sector training agencies and private-sector employers. The idea is the brainchild of Mr Peter Thackway, the agency's head of marketing. This year the project won £70,000 from government and the European Social Fund and the same amount in sponsorship from the private sector.

The scheme has not been trouble free. The original idea to take people directly off the streets was dropped and Gate relies on referrals from hos-

tels. The recession has meant that the only employer able to offer jobs was BR.

BR emphasises it does not sacrifice selection standards for philanthropy. Applicants must pass two interviews, and a medical which includes drugs screening. Then trainees face a course in basic literacy and numeracy skills with the final hurdle of a battery of BR aptitude tests.

One of the first Gate graduates was Ms Jackie Sharpe who has passed BR clerical exams. She is working for BR after successfully completing one of the four-week courses.

Ms Sharpe is working as a track cleaner while waiting for a permanent clerical position.

Catherine Milton
and Lisa Wood

Police pay board calls for 6.5% rise

By Michael Smith,
Labour Correspondent

POLICE OFFICERS' pay is likely to rise by 6.5 per cent this year even though average earnings, which determine police pay, have risen by less than that.

Mr Kenneth Clarke, home secretary, will shortly consider the recommendations of the Police Negotiating Board for a 6.5 per cent rise amid growing pressure for the government to restrain public-sector earnings. If he wanted to take a hard line he could press for the rise to be restricted to 6.25 per cent - saving about £10m - without breaking the government's pledge to link police pay to average earnings increases.

The Department of Employment last week revised the average earnings figure for the year to May, the period which determines police officers' rises - to 6.25 per cent from the 6.5 per cent reported previously.

A decision to make the rise 6.25 per cent would signal the government's determination to tighten its grip on public pay but it would infuriate the 120,000 police officers who already feel insecure because of a government inquiry into their pay and conditions.

The negotiating board made its recommendation of a 6.5 per cent rise before last week's revision of the earnings figure. Members said yesterday they would be surprised if their recommendation were overturned.

Drop in food prices cuts inflation

By Emma Tucker,
Economics Staff

A SHARP drop in seasonal food prices was the main reason behind the fall in retail inflation to an annual rate of 3.7 per cent last month.

Although the prices of seasonal foods normally fall at this time of year, July's drop of 9.8 per cent was steeper than expected and brought the year-on-year rate of inflation for seasonal foods to minus 9.8 per cent.

The fall was mainly the result of cheaper fresh fruit and vegetables, particularly salad foods. Prices of potatoes and home-killed lamb also fell. According to the Central Statistical Office a number of price increases that were made in July last year were not repeated this year and summer sales for clothes, shoes and certain household goods continued.

A fall in mortgage interest payments between June and July also contributed to the drop in the overall index from 139.3 in June to 138.8 last month.

High street summer sales, which cut prices by more than the sales last year and were spread over a wider range of products, led to a monthly drop of 4 per cent in clothing and footwear prices the sharpest fall for any July

| UK Inflation rate | | RPI: 138.8 in July |
|----------------------------|-------|--------------------|
| | | |
| Housing (172) | +2.7% | |
| Motoring (143) | +6.1% | |
| Food (non-seasonal) (130) | +3.2% | |
| Alcoholic drink (80) | +5.1% | |
| Household goods (77) | +2.2% | |
| Clothing & footwear (59) | -0.1% | |
| Household services (48) | +6.1% | |
| Leisure goods (47) | +2.3% | |
| Catering (47) | +5.4% | |
| Fuel & light (47) | +0.9% | |
| Personal goods, serv. (40) | +5.8% | |
| Tobacco (36) | +9.5% | |
| Leisure services (32) | +7.5% | |
| Food (seasonal) (22) | -9.8% | |
| Fares & travel costs (20) | +6.0% | |

Figures in brackets are weights in retail prices index in parts of 1,000. Percentages represent annual % change to July 1992.

Source: CBO

since records began in 1914. Prices of furniture and electrical goods also fell as sales continued.

The biggest month-on-month rise for any component of the index was in house-

hold services, which rose by 1.1 per cent. That reflected higher premiums for house contents insurance and an increase in trade union subscriptions.

Prices of some other goods crept up, in particular do-it-yourself materials which increased after special offers earlier in the year and contributed to the rise in the housing element of the index. That rise was only partly offset by the fall in mortgage interest payments between June and July.

Service-sector inflation remained significantly higher than food-price inflation. It was also well above producer-price inflation for manufactured goods, which was 3.1 per cent in July.

The annual rates of inflation for leisure services, personal goods and services and motoring expenditure fell in July.

Although car insurance premiums rose in July, price increases for second-hand cars were not repeated this year leading to no change in the index for motoring expenditure.

Deaths ferry still operating

By Richard Tomkins,
Transport Correspondent

THE IRISH Sea ferry on which two children died earlier this week was still in service yesterday amid calls for an investigation into the accident.

The two children, Katherine and James Tomlin, of Truro, Cornwall, died in the night aboard the Polish-registered Celtic Pride when gases seeped into their cabin from the ferry's sewage system.

Since the accident, other people who have travelled on the vessel have said they had previously complained to Swansea Cork Ferries, the ferry operator, about strong sewage smells in some cabins.

Yesterday the vessel arrived in Swansea to be met by marine surveyors from the Department of Transport and was temporarily held for examination. Afterwards, the British, Irish and Polish authorities agreed that it could remain in service provided the operators made modifications to the sewage system and sealed off

the affected cabins in the meantime.

The Department of Transport yesterday issued advice to other ferry companies operating in UK waters advising them to check that their vessels' sewage systems had adequate venting. Any smells should be thoroughly investigated, it said.

The department said it had no plans for an investigation into the accident. It said that was a matter for the Polish authorities.

The lack of an investigation has caused concern on both sides of the Irish Sea. In Britain, Ms Joan Whalley, who speaks for the opposition on transport, urged an inquiry by the Marine Accident Investigation Branch. In the Irish Republic, Mr Alan Shatter, justice spokesman for the Fine Gael opposition party, called for "a vigorous criminal investigation" to be conducted with a view to bringing whatever charges might be appropriate against the owners or operators of the vessel.

Publication of Retail Newsagent is blocked

By Bethan Hutton

A ROW between newsagents and The Daily Telegraph over the share of the newspaper's cover price kept by agents has led to a block on the distribution of a trade magazine.

Retail Newsagent yesterday failed to overturn an injunction banning distribution of this week's issue.

The dispute arose after the newspaper unexpectedly cut its trade discount to 35 per cent on the Saturday

newspaper only, starting last Saturday, at the same time as its price rose 20 per cent to 60p. Newsagents are normally sold to agents at a discount of 35.5 per cent on the cover price.

Some shopkeepers responded by reducing their orders for the paper or keeping copies off shelves in protest.

Late on Thursday The Daily Telegraph was granted an injunction against the magazine, banning distribution of this week's issue, which carried articles advising its readers not

to sell The Daily Telegraph today. A front-page editorial comment said: "Don't touch it with a bargepole!"

The injunction also prohibited the National Federation of Retail Newsagents from encouraging its members to boycott the paper.

Mr Steve Brennan, editor of Retail Newsagent, which has a circulation of more than 17,000, yesterday accused The Daily Telegraph of showing "total disregard" for press freedom. He said: "We must have the right to advise our

individual readers to take whatever action they feel is in the best interests of their business."

Because the cover price of the Saturday edition of the newspaper has risen, newsagents will get slightly more in cash terms from each copy sold under the new rate, but they are concerned that other newspapers will follow suit, squeezing profit margins already affected by the recession.

In 1990 the Daily Mirror cut newsagents' discounts from 28 per cent to

25.5 per cent. It was followed immediately by The Sun and within months by all the other papers.

Newsagents are not allowed to comment about whether competitors will follow suit when one cuts margins. The Independent raised its Monday-to-Friday cover price to 45p last week but maintained margins, indicating that it is not certain that other papers will follow The Daily Telegraph. The Daily Telegraph would not comment yesterday.

CORRECTION

ABN bank

IN A report on August 13 we stated incorrectly that Mr Muhammad Naideh, owner of Arrow's, the failed trade finance house, had been charged last year with obtaining £10m from ABN, the Netherlands bank, by deception. The bank involved was in fact NMB, Postbank of the Netherlands.

Belfast loses ship

By Belfast Correspondent

THE BATTLESHIP HMS Belfast, which was launched in 1938, has been sold to a private buyer for £1.5m. The ship, which was part of the Royal Navy's fleet, is being sold by the Ministry of Defence. It is the first time a battleship has been sold since HMS Hood was sold in 1954.

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has high street retailer of financial services, which had been shown to the public, said the consortium would be a campaign to persuade the public to extend the moratorium on its debt beyond August 18.

Anger at PW move over salaries

A DECISION by Price Waterhouse to cut salaries for its staff has caused a major row at the firm, according to a source. The move, which is part of a restructuring plan, has been met with anger by many employees, particularly those in the London office. The source said that the firm's management is aware of the discontent but insists that the move is necessary for the firm's long-term survival.

Many football clubs lose money

Many football clubs are losing money, according to a report. The report states that clubs are facing significant financial challenges due to a combination of factors, including declining ticket sales, increased costs for player transfers, and rising wages for players and staff. The situation is particularly dire for smaller clubs, which may struggle to remain viable in the long term.

Belfast man is extradited

A Belfast man has been extradited to the United States, according to a report. The man, who is accused of involvement in a criminal case, was taken into custody by US authorities and flown back to the US for trial. The extradition process was reportedly smooth, and the man is now facing charges in a federal court in New York.

ABN bank

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Belfast yard loses two ship orders

By Our Belfast Correspondent

HARLAND & WOLFF, the Belfast shipbuilder, has lost orders for two bulk carriers for Hong Kong-based China Navigation Company - part of what was said to be the biggest merchant shipping order placed in a UK shipyard.

The cancellation is a setback for the yard, which has lost the orders for five of the six ships in last year's record £230m deal. Work has just started on the single remaining ship for China Navigation for delivery at the end of next year.

China Navigation, a subsidiary of British shipping company John Swire and Sons, agreed last August to buy three of the yard's new Capesize vessels at a cost of about £37m each. But the weaker dollar has increased the real cost of its ships, and China Navigation says it can afford only one.

One hundred temporary workers are to be laid off as a result of the decision. Last month Cenargo International, the UK-based shipowner, also pulled out of a deal to buy three of the ships.

Harland & Wolff is to go ahead and build the ships, which will be operated by Transocean Shipping, a Harland subsidiary, probably on a charter or joint venture basis.

The orders for the six ships, which represented nearly half the yard's order book, appeared to safeguard employment of the 2,500-strong workforce at the yard until 1995.

The order was the first for new ships won by the shipyard since it was privatised three years ago, other than for ships associated with Fred Olsen, the Norwegian shipping company.

Mr John Parker, Harland & Wolff chairman, said China Navigation had cancelled its ships because of deteriorating conditions in the world shipping market over the past six months, exacerbated by the world recession and the exceptionally high level of sterling against the dollar.

Mr Parker said: "The outlook for the medium-to-long-term shipping and shipbuilding markets remains optimistic, but the next 18 to 24 months is likely to be a very difficult period for shipowners and builders alike, particularly if the world recession does not abate quickly and the pound is not realigned to more acceptable levels against the US dollar."

The 162,000 tonnes dead-weight Capesize ships are designed to transport coal and ore around the Cape of Good Hope.

They will be faster than conventional bulk carriers and built with less high-tensile steel, allowing greater strength.

The ships are designed to combat the problems of break-up associated with bulk carriers, highlighted in a report by Lloyd's Register, which certifies ships' seaworthiness. The report blamed structural weakness for the loss of 34 bulk carriers at a cost of more than 250 lives since 1980.

Now the flats and houses are unsaleable because of the disrepair and the potential liability of buyers for big bills. Four chimney stacks are dangerously unstable, 90 per cent of the masonry needs attention, the window frames are rotten, and many flats are damp. No local estate agents or solicitors will touch the place. One unit is on the market for £15,000 and there are still no takers.

Now the development is a sad illustration of almost everything that can go wrong with the English leasehold property system. Building societies could lose more than £1m, and up to 150 residents are threatened with homelessness because Stone Manor's upkeep was neglected for years.

Mr Rodney Morant, chief solicitor of Nationwide building society, which has seven borrowers at Stone Manor, says that the combination of decaying leasehold flats and bankrupt landlords is an intractable national problem.

Stone Manor was built as a workhouse in 1837 and has been used as a billet for troops, an old people's home, and a municipal store before it was bought in 1989 by Mr Peter Emma, a builder, to convert into residential property.

The 45 flats and 14 houses which he sold on long leases were not expensive, largely because the conversion was of a basic standard: cheap softwood was used for doors and windows, no damp-proof course was installed, and roof tiles had been salvaged from elsewhere. The Cotswold limestone used in the original construction is attractive but is prone to erosion and needs much attention.

Unlike most developments, the lease makes no provision for monthly maintenance charges or a management company to oversee maintenance. The landlord is responsible for repairs when demanded by leaseholders, who are obliged to pay their share of the bills.

But there was no regular maintenance system, so very little was done. When the landlord's company, PL Emma (Properties), went into voluntary liquidation in 1989, the liquidator took responsibility for Stone Manor's upkeep. By that stage repair work was long overdue.

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The liquidator has the power to demand the money. If residents do not pay, he can apply to court for forfeiture of their leases, which would leave them homeless and the lenders with no security on their loans. The only way for lenders to recover their investment would be to pursue homeless ex-residents for payment.

The residents could take over the freehold for a nominal £1, set up new leases and a management company and carry out repairs themselves, possibly using cheaper contractors. An estimate for immediately essential repairs is £25,000 per flat.

The residents' association wants to take over the freehold, but would then have to persuade all residents to agree to change the leases and find the money for renovation. It has turned to the building societies for help with both - as a source of further funds, and as a means of applying pressure on unco-operative residents.

About 14 lenders, mostly building societies, are involved in Stone Manor, with exposures ranging from a few thousand pounds to more than £250,000. The societies are considering lending about £5,000 to each leaseholder to make the flats saleable and therefore protect their own security.

Many residents would normally be turned down for further advances because they already have mortgage arrears, low incomes, or have negative equity on their property. Some could not afford an increased mortgage and would need special terms. But building societies have a duty in law to invest prudently to protect the savings of their investors.

In cases such as Stone Manor, they must decide whether it is prudent to lend more in the hope of being able to secure part of the original loans, or whether to write off the debts and leave residents to sort themselves out. "It is a question of whether we can throw money down what is an apparently bottomless pit," says Mr Morant.

Planned changes in the law would allow leaseholders to force landlords to sell freeholds. That, and a new type of flat ownership called commonhold, which does away with leases, might help others in the same situation if they see the problem early enough and decide to take management of the property into their own hands. But the changes will not protect flatowners against arguments with neighbours over money and priorities or paying for maintenance.

Mr Anthony Learmonth, the lawyer acting for the residents, says the real difficulty is not the law but its application. "If things are done properly the machinery already exists to ensure that leaseholders have control over their properties. There is no doubt that there are some absolutely appalling leases around. That is not the fault of the leasehold system, it is the fault of the lawyers who draw up and approve those leases," he said.

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Lenders watch their security crumble

Bethan Hutton on a development which sums up the problems of the leasehold system

EVEN without estate agents' hype, Stone Manor, in Stroud, Gloucestershire, must have seemed an attractive proposition 10 years ago: affordable flats in a listed Cotswold stone building, with quiet gardens and views over the River Severn.

Now the development is a sad illustration of almost everything that can go wrong with the English leasehold property system. Building societies could lose more than £1m, and up to 150 residents are threatened with homelessness because Stone Manor's upkeep was neglected for years.

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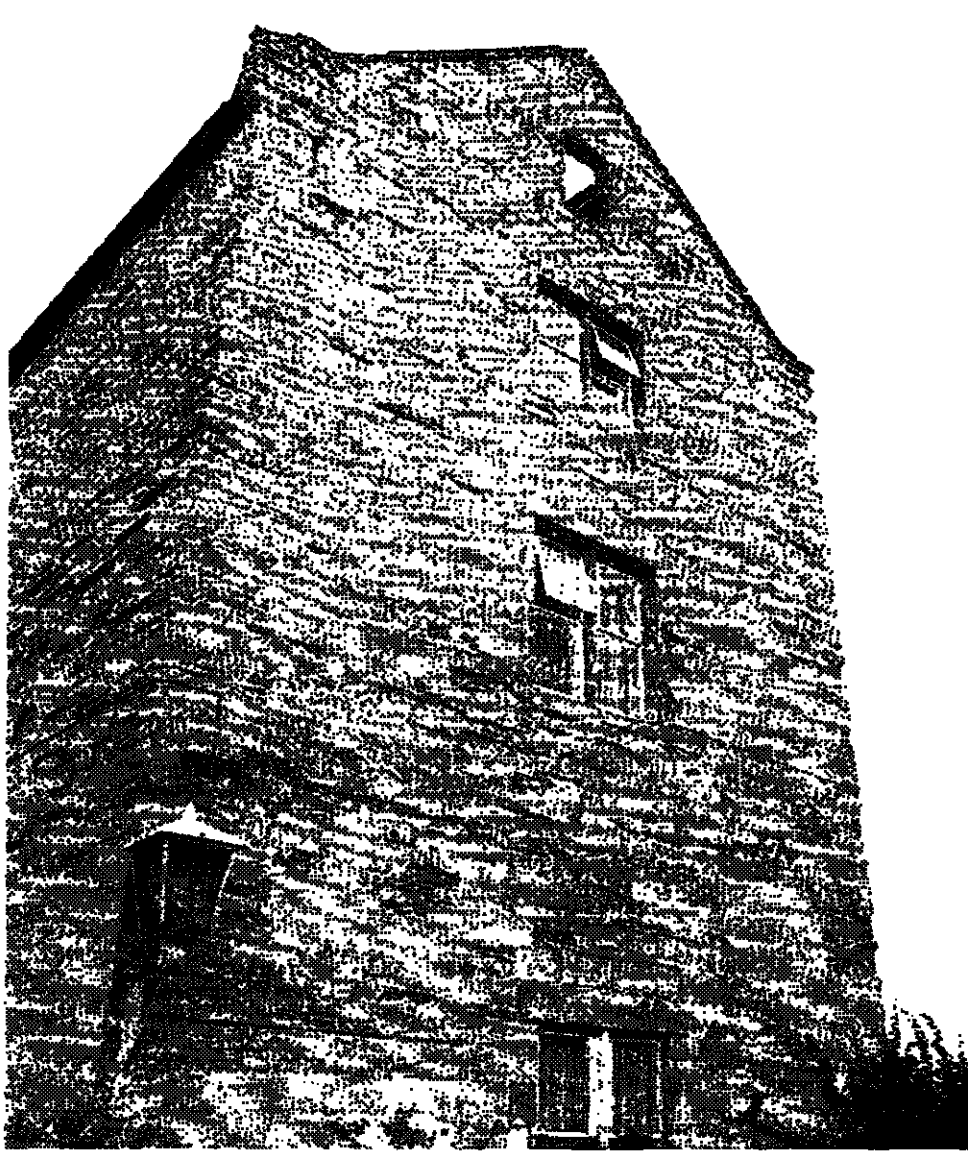
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Cracking conversion: units in the development are unsaleable because of the cost of repairs

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Proposal seeks to spread road costs

By Richard Tomkins, Transport Correspondent

NEW WAYS of making developers pay for the traffic growth they generate were proposed by the Department of Transport yesterday.

The aim is to ensure that companies carrying out big developments pay their fair share towards the cost of any trunk road or motorway improvements needed to serve developments.

Under the existing system, developers are not required to contribute to the cost of improving trunk roads if the traffic growth they generate can be accommodated by existing roads.

However, if they are joined by another company whose proposed development just tips the balance by requiring new trunk road capacity, that last company has to meet the whole cost of the road improvements from its own resources.

The new system, set out in a consultation paper, seeks to spread the burden more evenly. The department plans to examine local authorities' draft development plans and identify where potential developments are likely to make improvements to motorways or trunk roads necessary.

It will then set out the estimated costs of the road improvements and create a simple formula for sharing the contributions among all the companies involved. The formula will be based on how much traffic each part of the development is expected to generate.

Mr John MacGregor, transport secretary, said the lack of a fair method of allocating highway costs sometimes resulted in developments being blocked. The new system would enable more developments to go ahead.

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Writ alleges cash dispenser security depends on staff

By Ian Hamilton Fazey and Alan Cane

THE FOUR banks and one building society expected to be named in legal proceedings alleging phantom withdrawals from cash dispensers rely on security systems which place too much reliance on the honesty of individual members of staff, according to the writ lodged with the High Court on Thursday.

The writ questions the adequacy of the security systems - of the banks - Barclays, Midland, TSB and Lloyds - and Nationwide building society. Instead of automatic updating of master keys by security modules, the five institutions are alleged to rely more on the honesty of their staff in keeping secret the keys that activate ATMs. The modules are responsible for encrypting and decrypting the messages which run ATMs. They comprise small computers in tamper-resistant boxes. Alarms go off and electronic information is automatically destroyed if anyone tries to open them.

With hardware security modules in place, nobody should ever be able to discover a customer's personal identity number (PIN), which they have to key into an ATM after inserting their plastic card with its magnetic strip giving account details. It is claimed that the banks are using a much less secure system involving two members of staff, each possessing half the master key - a unique number - which activates the system.

Security therefore would rely on both keeping their part of the master key secret and not colluding to break into the system. Once inside, experts agree, it would be possible to learn customers' keys

FINANCIAL TIMES

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Paralysis of policy-makers

OPTIMISM IS an increasingly rare commodity in the British economy. Yet the pall of gloom, which seems to thicken by the week, is making matters worse. There are some more hopeful signs, for those who are willing to look. But they remain few and far between, and the government's claims that all will soon be well have proved to be counter-productive.

The economic news this week was certainly better than expected. Industrial output in June was flat, but manufacturing output has now risen for two consecutive months. And yesterday's fall in retail price inflation to an annual 3.7 per cent capped a good week for the government's anti-inflationary policy. Producer prices are rising at their slowest rate for 25 years, the fall in pay settlements in the service sector is catching up with that in manufacturing, and both wage and underlying price inflation are falling faster. The rise in unemployment in July was painful, but the rate of increase has moderated in recent months.

Yet to claim, on the basis of these figures, that the recession is over, or that the battle against inflation is won, is misleading. Changes in unemployment are lagging indicators of current economic conditions, but so are official output figures as the Chancellor repeatedly argued last year. Survey evidence, he said, is a better guide to the future. But the recent industrial trends survey from the Confederation of British Industry suggested falling confidence, output and orders over the next three months.

Raising spirits

Raising business spirits prematurely can deepen the gloom if spending fails to respond. The slight pick-up in manufacturing output probably reflects decisions made in March and April in anticipation of a post-election recovery once the threat of Labour's tax increases had receded. The more recent gloom arises from the failure of that recovery to materialise. Next Monday's CBI retail survey is expected to show that sales are still falling. The extra manufacturing output is probably sitting in factory stores rather than consumers' kitchens.

The markets certainly seem to have become more cynical following the disappointments of the last few months. The FT-SE All-Share Index rose by 13 per cent from April 9 to its post-election peak but has since lost all of that ground and more. The index ended the week unchanged on last Friday's close, unmoved by the events of the week, while sterling remains at the bottom of the European exchange rate mechanism. International events are unlikely to come to the rescue.

Growth remains sluggish to non-existent throughout the developed world, and Britain's stock market weakness is more than matched by falls elsewhere. Shares on Wall Street fell slightly over the week while German share prices ended yesterday 3.8 per cent down on the previous Friday's close. Japan beat all-comers, with the Nikkei falling 4.5 per cent over the same period down through its 15,000 floor.

The fall in German share prices could herald some good news for the rest of Europe. The growing sense among west German companies, backed by falling orders, that slow growth is about to turn to no growth might once upon a time have tempted the Bundesbank to ease interest rates. But the Bundesbank's sights these days are fixed firmly on rapid broad money growth, despite falling consumer inflation and absolute falls in wholesale prices.

No panacea

Lower interest rates are no panacea, even if they were on offer. Easier monetary policy in the US and Japan is having no more than a marginal effect on consumer spending and business investment. The Republican election campaign is therefore stuck: the deficit precludes any meaningful fiscal cut. The Japanese government is also stuck, but its problem is Ministry of Finance officials who retain the power to block its desire for a sizeable fiscal boost.

All the factors which have depressed UK consumer confidence and spending over the last two years remain in place. House prices are still falling. Interest rates are in double figures and consumers and banks are burdened by heavy debts. None are likely to lift any time soon.

Interest rates, in particular, look stuck at least until the end of the year. The prospect of many more months of slow growth in Britain means that wage inflation should eventually fall to sustainable levels within the ERM. But while falling inflation may be good news in the long-run, for now it merely compounds the pain by raising the level of real interest rates that debtors face.

The most likely outcome is that the UK economy will follow the US example and enjoy a temporary quarter of barely positive growth before slipping back into moderate recession again.

Cheerleading based on wishful thinking, rather than solid evidence, may lift spirits in the short-term. Prospects of anything other than an unrecognisable sluggish recovery remain bleak. The government should tell it as it is.

Mr Norman Lamont finally got away on holiday this week, leaving behind a chorus of demands for action to revive Britain's recession-bound economy.

Over the past three weeks, bankers, industrialists and, more predictably, trade unionists and the Labour Party have clamoured for the government to "do something" to end the longest recession since the second world war. The proffered prescriptions - to "kick start" the housing market, stimulate investment, lower interest rates and even devalue the pound - have been as varied as their promoters.

In spite of rising unemployment, falling business confidence and a growing fear that declining industrial orders will lead the economy into a new nosedive after the summer, the Treasury's instinct is to do nothing. Officials draw comfort from falling inflationary pressures and faint signs of rising manufacturing output. They argue that the business cycle will gradually recover from its present "corrugated bottom" once consumers gain sufficient confidence to spend more.

But the do-nothing approach sits ill with political realities. The mandarins of Great George Street are as aware as the prime minister and Chancellor that Tory backbenchers are restive, the constituency parties grumpy, and that plans must be made to head off dissent at the party conference in Brighton in October.

So, despite denials, officials are sifting options for action, more, it has to be said, in the hope of achieving a presentational success than actually changing the course of the economy.

In fact, the government's hands are largely tied. It has hardly any monetary leeway so long as it sticks to its goal of low and, if possible, zero inflation through membership of the European exchange rate mechanism. Short-term interest rates are determined by the Bundesbank where there is little hope of a fall in the all important Lombard rate from its present 9.75 per cent much before the end of this year. With the UK's 1992-93 public sector borrowing requirement expected to exceed the targeted £28bn and some pundits projecting a further rise to about £40bn the following year, there appears little scope for fiscal activism.

The so-called "nuclear" options of withdrawal from the ERM or devaluation of sterling can be ruled out so long as Mr Major and Mr Lamont are neighbours in Downing Street.

The only conceivable basis for such a policy change would be if a French "No" to Maastricht on September 20 triggered monetary chaos in Europe, leading to a collapse of the ERM: a turn of events that would in any case pose serious

Mr John Major's instinct is to tough it out. As he left earlier this month for a summer break in Spain, colleagues detected irritation at the clamour from some Tory MPs for emergency action to tackle the recession.

But the prime minister retains the sharp political instincts which catapulted him into Downing Street above more senior rivals. If the clamour from a minority in his party threatens to turn into a revolt by the majority, he will be ready to act.

There is no question of devaluation. If anything, the calls from some Tory backbenchers for a sterling realignment in the ERM have hardened Mr Major's resolve. If

Peter Norman examines the economic options facing the UK government

Much ado about doing nothing



problems for the prime minister during the UK presidency of the European Community.

A review of the possible domestic policy moves also shows that there are no easy choices. Even the much touted option of a temporary cut in value added tax from its present 17.5 per cent rate to stimulate consumption has weighty downsides. According to its supporters, a VAT cut:

- would tackle directly the economy's main problem of sluggish consumer demand,
- could be implemented without delay,
- would exert further downwards pressure on retail price inflation, so improving the climate for eventual

interest rate cuts once Germany's policy eases, and,

- would act as an effective substitute for lower interest rates at home. Like an interest rate cut, a VAT reduction would lower costs for consumers and businesses and reduce the attractions of saving but have the additional advantage of not undermining sterling on foreign exchange markets.

However, VAT reductions are expensive. Treasury figures suggest that a six month VAT reduction to 15 per cent would cost around £2.5bn to £2.6bn - a heavy burden at a time of budgetary restraint.

High costs and a strong objection to additional subsidies for home owners were an important reason

why the Treasury reacted with such hostility to recent suggestions from the Abbey National and National Westminster Bank for new tax breaks to help the housing market. But this does not mean that no thought is being given to schemes to boost housing.

One no-cost option would be to change building society regulations so that credit-worthy house buyers could borrow more than the value of their planned home purchase. This could help people at present prevented from moving because of negative equity in their existing homes as a result of falling house prices. But whether house buyers would take advantage of such a scheme when house prices are still

Pressure builds for action

Philip Stephens on political tension over the economy

others - the Italians, for instance - decided to move down against the D-Mark, sterling's central rate would remain fixed at DM2.95.

But ministers are careful to add that within the constraints of the ERM and the government's commitment to keep a tight grip on public spending, the prime minister has an open mind on possible schemes to speed recovery.

The view in 10 Downing Street is that a modest package of measures which bolstered consumer confidence might, just might, prove useful. But with the emphasis on "modest", the presentation and the politics would be as important as the substance.

At present the political pressures are uncomfortable rather than irresistible. However, ministers have been surprised at the independent-mindedness of the new intake of Tory MPs, many of whom are cool towards the prime minister's vision of Britain "at the heart of Europe" and are less content to be lobby

fodder than their predecessors. The distance between the government and some of the parliamentary rank and file has been demonstrated by the critical stance towards government economic policy of Mr John Townend, the new chairman of the Tory backbench finance committee.

In the approach to October's party conference, most Tory MPs and grassroots activists are torn between dismay that the promised post-election recovery has not

falling, or whether building society managers would have the necessary skills to assess credit worthiness in the absence of full collateral is open to doubt.

There is support in parts of Whitehall for institutional reforms and supply side measures to improve the economy. Some ideas, such as giving independence to the Bank of England, could bring long term benefits by enhancing the credibility of the government's counter inflation policy. But it is difficult to see such a proposal bringing the party faithful to their feet in Brighton while a short term risk would surely be that a newly independent central bank could be inclined to push interest rates higher to establish its credibility with financial markets.

Another suggestion is that the government should abandon its rule of fully funding the government borrowing requirement, which requires it to sell its debt entirely outside the banking and building society sectors. Advocates say "underfunding" could lower long-term interest rates. But the supposed benefits are a subject of dispute among experts and would hardly have voter appeal.

Some serious thought will be given to bringing forward already agreed spending on public sector projects as a way of helping the hard pressed construction industry. Ministers are acutely conscious that local builders are often local constituency party stalwarts. A few well-timed announcements would also add strength to the nascent government campaign to clamp down on public sector pay.

But the general belief in Whitehall is that such moves can only help at the margin. The emergence of recovery - just like the course of the recession - will ultimately depend on the behaviour of Britain's consumers.

Here recent trends have made Treasury ministers and officials more confident that a recovery of sorts is in the pipeline. Yesterday's unexpectedly good inflation figures, coupled with a sharp deceleration in wage inflation in recent months, augur well for Britain's long-term competitiveness.

In the meantime, Mr Stephen Dorrell, the financial secretary to the Treasury, claims that in real terms a family of four with a £30,000 mortgage and on average earnings should be £35 per week better off than at the time of ERM entry in October 1990.

If true, that is, as one Whitehall official said this week, "big bucks". If that mythical family of four can be persuaded to part with some of its gains, Britain's economy may lift off the bottom without overt government help.

materialised and an acknowledgment that public squabbling could undermine confidence still further.

A small but vocal minority of die-hard Euro-sceptics is determined to link the recession with membership of the ERM and Mr Major's support for Maastricht. With Lady Thatcher in the lead, they threaten at least the appearance of serious disarray in the party.

Ministers hope that less gloomy economic statistics next month and a French "yes" vote on Maastricht will defuse the political tensions. But they are acknowledging also that no one will yet rule out a pre-conference move to bolster consumer confidence and calm the nerves of the Tory faithful.

MAN IN THE NEWS: Julian Ogilvie Thompson

King of diamonds

Mr Julian Ogilvie Thompson, chairman of De Beers, the South African company that controls the world diamond market, spent yesterday in the Northern Transvaal. It should have been a happy outing, attending the opening of De Beers' new R1.1bn (£200m) Venetia mine, a project which should produce 5.9m carats of diamonds a year.

He could have been forgiven, however, if the prospect of more diamonds had left him feeling slightly queasy. With unfortunate timing, the opening coincided with what was probably the worst week for De Beers since the collapse of the diamond market in 1981-82.

Tuesday's announcement from the board, meeting in Kimberley, that there would probably be a "substantial reduction" in the final dividend did not only knock about 18 per cent off the share price but also precipitated a heavy fall in the Johannesburg Stock Exchange. It led to accusations that De Beers had misled the market, thus dealing a blow to the credibility of one of South Africa's best-known companies.

statement. Ogilvie Thompson adds: "Our credibility hinges on our being honest and I believe that is exactly what we have been... it was precisely because we did not want to mislead the market that we warned of a final dividend cut."

There is little sympathy for this reasoning in Johannesburg. When things are going well, people are prepared to tolerate the high-handed behaviour for which De Beers and Anglo are noted. But when a bitter pill is to be delivered, companies need better investor relations than those enjoyed by De Beers and Ogilvie Thompson if a hostile reaction is to be avoided.

The nub of the problem is that until early July, Ogilvie Thompson continued to predict higher rough diamond sales by the Central Selling Organisation (CSO) - the De Beers organisation which markets about 80 per cent of the world's rough diamonds - in the second half of 1992. Although these bullish sentiments were at odds with market signals, most observers chose to allow De Beers the benefit of the doubt, given the company's record of accurate forecasting.

But Tuesday's announcement indicated that De Beers had got it wrong. The dividend cut and the imposition of quotas, whereby the CSO buys 25 per cent less than its contractual commitment from producers, reflect the extent of the error. The board said two factors - which only became fully apparent in mid-July - combined to stymie their earlier forecast: flat demand, when an economic upturn was expected, accompanied by the "precipitous plunge" in Tokyo's Nikkei index; and the "sudden and unprecedented explosion" in the supply of illicit diamonds from Angola.

Some industry analysts do not



believe the outlook for the market could have changed as quickly as De Beers suggests. Of the two factors mentioned, there is sympathy for the Angolan problem, but little for wrongly predicting an economic upturn.

Critics suggest that De Beers should not have been so bullish. Part of the reason why De Beers' announcement was greeted by such a furore this week is that Anglo and De Beers are famous for their conservative financial orientation. Ogilvie Thompson exemplifies this conservative culture. Son of a former Chief Justice of South Africa, and a Rhodes scholar, he has grown up in the image of the Oppenheimer family, following Harry Oppenheimer, whose personal assistant he was for four years, to become chairman of the two groups. Like his predecessor at De Beers, he has cultivated an exquisitely polite, highly Anglicised manner reflected in his preferences for French wines, shooting and fishing.

His manner and tastes sit uneasily in the rough and tumble business world of Johannesburg. Though his ability and voracious work appetite are acknowledged, many in the South African investment community are riled by a regal manner which is too obviously a "cut above" for many people's taste. He is regarded as the personification of Anglo's arrogance: "that arrogance that people come to Anglo, Anglo doesn't go the people," in the words of one observer.

There has been a simple reason for the stand-offishness - De Beers and Anglo have been financially self-sufficient, neither having had a rights issue. Neither has, therefore, needed the investment community, which they have kept at arm's length. Complex interlocking shareholdings, pivotally controlled by the Oppenheimer family, have also put the companies beyond the reach of corporate raiders.

This week's controversy has again raised questions about the quality of management at Anglo. The question is also being asked whether Ogilvie Thompson isn't spreading himself too thinly by being chairman, simultaneously, of three large companies.

Pressure is also mounting for improved disclosure from De Beers. Investors are prepared to accept secrecy when De Beers gets things right, but not when it gets things wrong.

At the Venetia opening yesterday, Harry Oppenheimer conceded that De Beers was facing "grave, immediate difficulties". He went on, though, to say that these are "the sort that we understand and have faced successfully at many times in the past". Unfortunately, he was not talking about investor relations. Ogilvie Thompson may find it harder to rebuild trust with investors than to bring supply and demand back into equilibrium in the diamond market - though achieving the latter would doubtless help the former.

Phillip Gawith

YOU

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Offering of O...

Occupancy rates are at their lowest levels for more than 10 years, writes **Michael Skapinker**

his hotel is currently about 50 per cent, compared to 75 per cent two years ago. The mix of guests has also changed. Whereas his customers used to be evenly split between business and leisure guests, the latter now account for 75 per cent.



committee, says coastal hotels are faring even worse. "While car park numbers are up, they spend in hotels and restaurants has come down. People are coming for the day and staying on the beach eating the sandwiches."

manufacturing companies during a recession are not available to a hotel owner. Staff can only be reduced by so much before guests begin to complain. Rooms and facilities cannot be allowed to look too shabby in a market where customers are more discriminating than ever.

Many hoteliers have kept room rates at the same level last year - a cut in real terms. Others are offering more dramatic reductions, but Mr Foreca believes these are best avoided. "Offering two nights for the

of Mozart's *La clemenza di Tito* claiming the staging by Karl-
and Ursel Herrmann was an
ance to Mozart's music.
ough Muti was by no means
less, the *Tito* fracas has been
as a struggle between the old
the new at Salzburg. The Ital-
ian conductor has been a festi-
val favourite since 1971: he owns a

in the community where
lived, and talks of the need
spect festival traditions estab-

graft an alien personality on to its ment specialists. Harnoncourt, an with the conductor to his dying

day. The Karajan estate promptly threatened legal action, and the mayor of Salzburg called an emergency meeting of the festival's supervisory body, saying Mortier's statements could cause irreparable damage.

Mortier has also had a run-in with the local business community. Reacting to claims that his pro-

gramme had caused a drop in trade, he told Salzburg's shopkeepers and hoteliers it was time they started doing something for the festival "instead of always milking it". He also lectured councillors on

how to make better year-round use of Salzburg's facilities, and called on the city to co-operate with Brussels-based cultural programmes promoted by the European Community.

tion of Mozart's La clemenza di Tito, claiming the staging by Karl-Ernst and Ursel Herrmann was an offence to Mozart's music. Although Muti was by no means blameless, the Tito fracas has been billed as a struggle between the old and the new at Salzburg. The Italian star conductor has been a festival favourite since 1971: he owns a house in the community where Karajan lived, and talks of the need to respect festival traditions estab-

My proposal was hardly novel, being based on the UN experience of humanitarian operations, gained over many years, and not least through my friend, the late Sir Robert Jackson, probably the greatest leader in humanitarian emergencies the UN, and the world, had ever had. There were also the remarkable achievements of Maurice Strong and Bradford Morse, organisers of the widely acclaimed UN office for emergency operations in Africa. The secretary-general did not adopt my main recommendations, no doubt because he considered that the member governments were not ready to face up to the implications for international organisations.

Julian, Ozzanne's many other proposals have already been put forward by experts over the years. The actions required have long been understood.

— **RECEIVED** —

Anthony Puckridge,
80 Chesterton Road,
Cambridge CB4 1ER

From Mr. Joe C. Wylie | cost/linears productivity

The extra problem in Europe at the moment is of course the high cost of money. This is a major deflationary factor which has to be addressed by the EC as a whole, not just the UK. When recently applied in Japan, higher interest rates not only cooled an overheating economy, but also drastically reduced growth which would have caused further deflationary problems for some time to come.

Ian C Wylie,
31 High Point,
Pitton Road,

From Mr Lawrence Smith. acquire and to use the new

skills and information. Otherwise, training in whatever guise will not benefit anyone. Lawrence Smith, *senior consultant, BS Consultants, 19 Russellcroft Road, Welwyn Garden City, Hertfordshire AL3 6QT*

Possible signal from senior judicial officers

From Mr Clive Boxer.

Sir, The enthusiasm with which Lord Justice Bingham's most welcome appointment as Master of the Rolls has been

From Mr Clive Boxer.

Sir. The enthusiasm with which Lord Justice Bingham's most welcome appointment as Master of the Rolls has been greeted is a (temporarily) important signal from the government and our senior judicial officers.

In the Caparo case, Lord Justice Bingham was one of two appeal court judges later unanimously overruled in the House of Lords, who ruled that auditors' duty of care should be extended to existing investors in a company.

The other overruled judge was the present Lord Chief Justice, Lord Taylor.

Clive Boxer,
consultant,
Davies Arnold Cooper,
6-8 Bowdrie Street,
London EC4A 3DD.

letes did not have financial motives is also questionable! The Athenian statesman Solon (probably early 6th century) awarded Athenian victors in the Olympics 500 drachmas; it is difficult to evaluate this sum, but rape was punished by a fine of 100 drachmas and five drachmas were awarded to anyone who brought into the city a wolf.

Stephen Instone,
6 Queen's Road,
London SW14 8PJ

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| Nites | 9.30 | 6.98 | Yearly | E10.00 | 8.80 £10K up plus instant access |
| Instant Access | 8.40 | 6.30 | Yearly | Tiered | £10.00 09/07 30/37 50/53 30 |
| Nite | 10.35 | N/A | Yearly | E10.00 | 28 days notice £10K or less |
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| Quantum Trust | 10.00 | N/A | Yearly | E25 | 30 days positivity |
| First Class Inst II | 10.60 | 7.95 | Yearly | E100.00 | inst access pen |
| Maximum Income | 10.25 | 5.34 | Yearly | E10.00 | inst flexibles for withdrawal |
| Warrior's Bonus | 9.89 | 6.89 | Yearly | E10.00 | inst flexibles for withdrawals |
| Maximum Option 6 | 9.20 | 6.90 | Yearly | E25.00 | basis points 60.00% gross equity inst |
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| 90 Day | 10.10 | 7.57 | Yearly | E25.00 | monthly income option |
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| Instant Option | 10.30 | 7.72 | Yearly | E50.00 | inst Accr. monthly income option |
| Option | 9.75 | 7.31 | Yearly | E25.00 | E10.00-1.25% £2,500 - 0.50% |
| Testis | 10.10 | 7.49 | Yearly | E50.00 | Minibank 1st 30 days except spec. inst. |
| 90-Day Xtra | 7.74 | 5.78 | 1-yearly | E50.00 | 90 days inst. |
| 90-Day Xtra | 8.68 | 6.48 | 1-yearly | E10.00 | inst amount |
| 90-Day Xtra | 9.10 | 6.76 | 1-yearly | E25.00 | E25,000 remains |
| 90-Day Xtra | 7.49 | 5.49 | 1-yearly | E50.00 | |
| Testis | 10.10 | N/A | yearly | E50 | Syr terms with 2 bonuses |
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| Capital Bond | 10.55 | 7.91 | 30 April | E10.00 | 90 days notice. Minibank incl opt also |
| Nite | 11.00 | N/A | 31 Dec | E1 | No transferred interest or chng. 1% extra inst yr 5 |
| Solid Gold | 7.49 | 5.25 | Yearly | E25.00 | inst term limits runs from E500 |
| Liquid Gold | 9.00 | 6.68 | Yearly | E25.00 | inst acc. No spec. Term limits from E25 |
| Rainbow 60 | 10.50 | 7.88 | Yearly | E10.00 | 60 days notice |
| Nite | 11.00 | N/A | Yearly | E10 | 30 days notice |
| Pension Reserve | 7.48 | 5.78 | Yearly | E500 | 90 days notice |
| Annual Interest | 7.70 | 5.77 | Yearly | E25.00 | penalty Two |
| Option | 7.85 | 5.88 | Yearly | E50.00 | tree withdrawals |
| Gold | 8.68 | 6.48 | Yearly | E10.00 | inst up to £2k per month |
| Investment | 9.10 | 6.85 | Yearly | E25.00 | no access |
| Nite | 9.75 | 7.31 | Yearly | E10.00 | instant access £10K. |
| Option | 10.00 | 7.50 | Yearly | E100.00 | Monthly income option also available |
| Plus | 10.50 | 7.88 | Yearly | E10.00 | instant access |
| North of England (045) 565672 | 10.75 | 8.08 | Annually | E50.00 | Guaranteed rate until 31st January 1994 |
| Edinburgh | 10.50 | 7.88 | Yearly | E25.00 | instant access by pass. |
| Monthly Income Act | 10.10 | 7.50 | Monthly | E40,000+ | Penalty free |
| 90 Day | 9.60 | 7.12 | Monthly | E25,000+ | inst access |
| 90 Day | 8.85 | 6.57 | Monthly | E10,000+ | E10K per month |
| 72hrs | 7.85 | 5.94 | Monthly | E2,500+ | 60 day notice |
| Black Oak Triple | 10.35 | 7.94 | Yearly | E10.00 | 30 days notice acc. to 10% APC but 6 mths |
| Preserve Option | 10.75 | 8.20 | Yearly | E25.00 | High interest chosen |
| Instant Access | | | | | |

COMPANY NEWS: UK

Conder loss
nears £23m
leaving
negative
funds

By Peter Pearce

LOSSES IN 1991 at Conder Group, the construction and property concern based in Winchester, grew from £19.3m to £22.6m pre-tax and the unaudited balance sheet at the year-end showed negative shareholders' funds of £5.95m.

Mr Alan Lovell, chief executive, said that KPMG Peat Marwick would have qualified the accounts had they been published. As it was, the auditor was "unable to express an opinion as to whether or not it is appropriate to draw up the accounts on the basis that the group is a going concern".

October 9 is the deadline for publication and Mr Lovell said it was planned that Conder would have done enough by then for the accounts to be unaudited.

"Enough" amounted to the sale of IEL, the building services arm providing mechanical, electrical, ventilation and air-conditioning services on a design and construct basis.

Mr Lovell said he felt the management was not doing the work of receivers, though he admitted that IEL was core and its sale "disappointing". It would be sold "way above" book value, he said, and its sale would repair the damage to the balance sheet.

He added that the management had already done sufficient to produce "modest profitability" in May and June and to make the now smaller group viable at the moment, though it had made an audited loss in the first half of 1992. Conder was "operating within facility levels" agreed with NatWest, its bank. Mr Lovell said an independent future was possible but disposal of the group was not ruled out.

Turnover tumbled to £183.4m (£228.1m) with 40 per cent of the fall from disposals and 60 from decline in continuing businesses. Operating profits of £7.19m turned into losses of £7m before exceptional charges of £5.05m (£32.2m) which related to the losses of Elmata, the closed curtain-walling company, and £7.13m (£5.52m) for property write-downs and rationalisation costs. Losses per share were 54p (39p) and the shares fell from 13p to 8p.



Rudi Mueller: received complaint

Publishers defiant in spite
of UBS writ on Smith

By Andrew Jack

THE ESCALATING dispute over the book Accounting for Growth intensified yesterday when UBS Phillips & Drew, the securities house, served a writ on the book's author and its publisher.

Mr Terry Smith, head of the firm's UK research department who wrote the book, was suspended on Wednesday for allegedly breaching internal procedures with regard to the book.

The writ is brought in the name of UBS and four of its UK subsidiaries against Mr Smith and Random House, which is due to publish the book in mid-September.

It alleges infringement of copyright, disclosing confidential information used to help prepare the book, "passing off" by associating the firm's name with it, and breach of contract of employment.

Accounting for Growth examines a number of techniques used by large UK quoted companies which have the effect of producing high earnings figures and make the balance sheet appear less geared than it is.

UBS said yesterday that Mr Smith did not go through the normal channels, including clearing

the book through the firm's own editorial committee and sending copies to the companies mentioned to check for accuracy.

Mr Smith said yesterday: "I have no intention of withdrawing the publication. I have signed a contract and I can't possibly back down."

Random House said it was going ahead with publication. "We are confident and we are going to contest the writ vigorously," a spokeswoman said.

The book is due to be published on September 15 for £25. However, it is understood that a paperback version could be ready for sale as soon as next week for £12.99.

The name of UBS Phillips & Drew, which was printed on the front cover of the book below Mr Smith's name, will be removed.

Reports of the book published in the Mail on Sunday newspaper and in Accountancy Age, a specialist magazine, led to complaints to UBS from Grand Metropolitan, which was named as using more of the techniques than any other company.

The report triggered complaints from Sir Allen Sheppard, chairman of GrandMet, and Mr Rudi Mueller, chairman of UBS Phillips & Drew.



Terry Smith: always outspoken

Pressures that threaten to breach the Chinese Wall

Richard Waters and Robert Peston on why independent advice from analysts is being questioned

INVESTORS PAID £1bn in commissions to their City stockbrokers last year. Judging by the row that broke out at UBS Phillips & Drew this week, they may not be getting very good value for their money.

Mr Terry Smith, Phillips & Drew's head of research, was suspended after a row with his employers which throws a spotlight on the independence of analysts in investment banks.

Compared to many analysts, Mr Smith has always been relatively outspoken and has never been afraid to criticise the companies he researched. At BZW, he caused severe embarrassment to the management of Barclays five years ago by saying that the bank's shares were over-valued.

The cause of the latest dispute is a book Mr Smith was preparing for publication which highlights the accounting techniques used by UK

companies to boost the level of profits they disclose or minimise the level of borrowings shown in the balance sheet.

Phillips & Drew became embarrassed by reports about the book which appeared in the Mail on Sunday newspaper and Accountancy Age, the magazine, last month. These articles highlighted GrandMet, the drinks and leisure group, as using more of the accounting techniques than any other company.

Although there was no implication that GrandMet was doing anything improper.

Nonetheless, Sir Allen Sheppard, chairman of GrandMet, which is a banking client of UBS, was so annoyed that he complained to Mr Rudi Mueller, chairman of UBS Phillips & Drew and head of UBS's UK operations.

Mr Smith says there was a separate complaint from Sir Colin Marshall, who is a non-executive director of Grand-

Met. Sir Colin is also chief executive of British Airways, to which Phillips & Drew is joint stockbroker. British Airways yesterday refused to comment on the incident.

Phillips & Drew insists that Mr Smith's suspension "was purely for misconduct on procedural grounds. It has nothing to do with anything else."

This unholy row has done little to restore investors' confidence in the quality of research published by full-service investment banks. Analysts are supposed to be insulated by so-called Chinese Walls from influence from other parts of a bank. But as Mr Smith said: "The Chinese Wall fell on me."

There have been rumours before that outspoken analysts have been called to heel. Last summer Mr Derek Terrington, a media analyst, left Phillips & Drew to join Kleinwort Benson after

the late Mr Robert Maxwell complained of a circular which told investors not to invest in Mirror Group Newspapers. And BZW withdrew a proposed research note after complaints including Fisons, Cable and Wireless and British Airways, complained of inaccuracies and misrepresentation.

Conflicts of interest are nothing new for analysts. They are under constant pressure to encourage investors to buy or sell shares - the only way they can generate their commissions. Also, they can be subjected to fierce assault from companies they criticise.

One analyst who had a run-in this year with a company in the FT-SE 100 index recalls: "It was a nightmare. They put more and more pressure on you. Thank goodness my firm stood by me."

The analyst, who says he is afraid of retaliation from the company if he is named, says the company threatened to sue

him for libel; hinted that it would cut off contact, depriving him of the information needed to do his job; and tried to persuade senior executives of his firm to disown him.

Even before the Big Bang of 1986, firms offered advice both to companies, as their corporate brokers, and to investors who bought their shares. As a result, much of the research published by companies' own brokers is automatically disregarded by investors.

Two things, however, have intensified the pressure - and made the quality of research more questionable. One is the creation of all-purpose investment banks, multiplying the potential for conflicts of interest. The other is the squeeze on profits in the City, which has made independence a very expensive luxury indeed.

Research departments account for one of the biggest costs of an industry which is still carrying overheads more

suited to the heady days of the 1980s bull markets than the bearish 1990s. The average level of trading each day by investors - and hence the commissions earned by brokers - declined by around 40 per cent between 1987 and 1990.

One result is that analysts are being made to earn their keep by advising investment banks' corporate clients. That raises doubts about their impartiality when they come to advise investors on those companies.

Another result is that analysts, being a cost rather than a source of income, are not expected to rock the boat. All investment banks argue that their research departments are totally free to steer their own course, and that it would be extreme folly to try to interfere with their judgments. But in straightened times, such high-minded thoughts can often be forgotten.

Portmeirion Potteries advances 40%

AFTER AN upsurge in the first half Portmeirion Potteries is expecting a satisfactory result for 1992, although a return to the 1990 pre-tax profit level of £2.4m is unlikely.

In the six months ended

June 30 pre-tax profit came to £1.2m, an advance of 40.5 per cent over the depressed £1.0m. That was affected by short time working and reorganisation costs, but at the end of 1991 the profit had

reached £2.61m. Turnover rose 15.5 per cent to £10.4m. Earnings per share worked through at 8.89p (6.47p) and the interim dividend is again 2.25p.

End in sight
of the paint
pot battle

By Peter Pearce

HOSTILE BIDS are supposed to contain a fair amount of sabre-rattling, but last week Kalon's bid for Manders (Holdings) produced what might be better described as penknife-waving.

Earlier in the bid process the rival paint makers had skirmished fitfully, if not always fruitfully, over management achievements, relative corporate performance, competition claims and other meaty industrial issues. Day 39 was delayed, came and went, as did the interim results of both sides.

Suddenly a financial molehill, revealed in a circular written by Mr Tim Steer for James Capel, has expanded into a mountain of hot air and did/didn't/did/didn'ts. The crux was an £800,000 provision made by Manders "relating to Windeck", the own-label paint business bought for £5.66m in December.

Kalon - which had received some local and political stick for saying it would close the factory fired off a list of four questions about the provision and whether and when Manders had intended to close Windeck's Bingley factory.

Shareholders' minds will focus on the fundamentals this coming week as Friday's final closing date approaches.

Burns-Anderson shares suspended

By Scheherazade Daneshkhu

BURNS-ANDERSON, the recruitment and financial services group formerly chaired by Sir John Harvey-Jones, had dealings in its shares suspended at 2p yesterday.

The group, which recorded pre-tax losses of £2.74m in 1991, has been in negotiations with its bankers, which include National Westminster, pending an extraordinary general meeting on Tuesday. The group's net assets had dropped to less than half the value

of its share capital.

Burns-Anderson is the holding company for the country's third largest network of independent financial advisers, Burns-Anderson Independent Network.

Mr Alan Taylor, managing director of the network, which has 375 members registered with Fimra, the self-regulatory organisation for IFAs, said yesterday that his company was financially "righteously" from the group.

There were no cross guarantees and there could be no call on his company's assets were the group to go

into liquidation.

Fimra said yesterday that it was watching the situation closely.

Most of the company's problems have been caused by a downturn in business in the group's recruitment companies, Morson International and Burns-Anderson Recruitment.

Sir John Harvey-Jones, former chairman of ICI and renowned troubleshooter, was on the Burns-Anderson board between June 1987 and March 1991.

The company fell into loss in 1989-90.

Mandatory puzzle for Trimoco

By Maggie Urry

TRIMOCO, the motor dealer on the receiving end of a £26.5m cash offer from Hartwell, has a semantic problem.

In its offer document, posted on Tuesday, Hartwell which is ultimately owned by the private Saudi Arabian Jameel Group, described its offer as mandatory. But some Trimoco shareholders have understood this to mean that they must accept it.

Trimoco wrote to its shareholders yesterday saying: "This is not the case." Just to emphasise the point it put the phrase in capital letters.

Hartwell's offer arose when it swapped its holding of Trimoco convertible loan stock into ordinary shares. Adding

these to its existing holding of 28.8 per cent of Trimoco's ordinary shares gave it a 39.4 per cent stake.

Under Rule 6 of the Takeover Code, Hartwell was then required to make an offer. If it, in Takeover Code parlance, a "mandatory offer". However, this compulsion is on the offeror not the offeree. The Takeover Panel does not feel that this is confusing.

The bid is of 17.4p a share in cash, the market price at the time Hartwell converted its shares. Trimoco's share price yesterday was unchanged at 30p.

Observers find it difficult to say if Hartwell's offer is serious. Companies making Rule 9 offers often hope that they will not be accepted. Hartwell's

offer document is low key, lacking the usual exhortations to accept. Trimoco is taking it seriously, if only because Hartwell has such a large stake.

LONDON RECENT ISSUES

| EQUITIES | | | | | | | | | | | | |
|-------------|--------------|--------------------|------|------|----------------------------|---------------|-------|---------|---------------|-----------|--|--|
| Intra Price | Am n Paid up | Latest Report Date | 1992 | | Stock | Closing Price | YTD % | Net Div | Times Grossed | P/E Ratio | | |
| | | | High | Low | | | | | | | | |
| 210 | FF | | 218 | 201 | Aerian Lin Group | 208 | +2 | W8 7 | 8.0 | 12.1 | | |
| 100 | FF | | 99 | 91 | Alco | 92 | | L5 25 | 8.0 | 7.8 | | |
| 100 | FF | | 101 | 101 | Broadstone Inv Trst | 101 | | | | | | |
| | FF | | | | Dominion Warrants | 19 | | | | | | |
| | FF | | 32 | 19 | Denver A | 19 | | | | | | |
| 500 | FF | | 495 | 466 | Enterprise S&P Co Lds | 474 | | | | | | |
| | FF | | 475 | 438 | Finland S&P Co Lds | 441 | | | | | | |
| | FF | | 351 | 326 | Hesperian S&P Co Lds | 375 | -1 | W13 0 | 1.3 | 37.5 | | |
| | FF | | 103 | 103 | Midwest Energy | 101 | | | | | | |
| 100 | FF | | 143 | 143 | Midwest Development Policy | 141 | | | | | | |
| 100 | FF | | 103 | 103 | Midwest Energy | 101 | | R3 76 | 2.0 | 4.7 | | |
| 100 | FF | | 128 | 128 | Midwest Energy | 127 | | | | | | |
| 100 | FF | | 1700 | 1700 | Quality Care Homes | 1710 | | W4 0 | 2.3 | 15.4 | | |
| 100 | FF | | 182 | 182 | T1 Technology Units | 1700 | | W8 15 | 1.9 | 4.0 | | |
| 325 | FF | | 248 | 214 | Telecom Unit | 258 | | W8 15 | 2.2 | 4.7 | | |
| 100 | FF | | 100 | 100 | Telecom Unit | 100 | | | | | | |

Transatlantic declines sharply to £27m at six months

Norman Cohen, Investments Correspondent

TRANSATLANTIC Holdings, a life assurance and property group, yesterday reported a fall in pre-tax profits from £42m to £26.6m for the first half of 1992.

The company's dominant shareholders are South Africa's Liberty Life and insurance group. Results were Transatlantic's first since obtaining a listing on the London Stock Exchange in the aftermath of an acquisition of property development group Capital of Counties.

Changes in accounting methods obscured comparisons with the previous year. Interest on Capital and County's share of profits from the acquisition of Lakeside Properties as capitalised in 1991, effectively adding £13.3m to income in that year.

Transatlantic's board expressed disappointment with the company's share price, saying that yesterday's opening price of 186p reflected our market conditions rather than the underlying value of the business.

Transatlantic said its property interests, largely in shopping centres, had held up well, although there had been some pressure on rental income. Earnings emerged at 5.09p, 11.6p and the interim dividend was a same-again 6p.

Sun Life, the insurance company in which Transatlantic has a 30 per cent stake, saw a significant increase in new business with total new premium income up 39 per cent to £86.1m. However, premiums may be adversely affected by an increase in the cost of reinsurance, which the company said it would be looking to limit.

Suspended

Transatlantic's share price fell 11p to 186p yesterday. The company's share price had been suspended for a period of time due to a dispute with the London Stock Exchange over the company's accounting practices.

Trimoco

Trimoco, a property development company, has announced a new initiative to expand its portfolio of properties across the UK. The company is currently in the process of acquiring several new sites and expects to complete the transactions by the end of the year.

WESSANEN

KONINKLIJKE WESSANEN NV

Interim dividend

An interim dividend of Dfl 0.80 per ordinary share of Dfl 5 is announced on shares entitled to a dividend over the financial year 1992.

This dividend will be paid out to bank account numbers indicated by holders of ordinary registered shares, from August 26, 1992 after deduction of 25% dividend tax.

A copy of the Interim Statement is available from the Company, upon request (P.O. Box 410, NL-1180 AK Amsterdam).

Board of Managing Directors

Amsterdam, August 14, 1992

Message to holders of Depositary Receipts for shares of Koninklijke Wessanen NV

Further to the announcement by the Board of Managing Directors of Koninklijke Wessanen NV, the undersigned hereby states that payment, with effect from August 26, 1992, of the interim dividend of Dfl 0.80 per Dfl 5 ordinary share, less 25% dividend tax, will be effected upon tender of coupons bearing the number 19.

The coupons may be tendered at the Amsterdam offices of the AEN AMRO Bank NV, Bank Mees & Hope NV, Credit Lyonnais Bank Nederland NV, NMB-Postbank Groep NV and Pierson, Holding & Pierson NV.

The dividend on BDRs of the CF type will be paid via the custodian by whom the dividend sheet is held in accordance with the conditions of administration.

Stichting Administratiekantoor van aandelen Koninklijke Wessanen NV, Amsterdam, August 14, 1992

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ECONOMIC DIARY

TODAY: Mr. Kijichiro Miyazawa, Japanese prime minister, is expected to meet Mr. Genshiro Hiraiwa, the head of the Kaidanren, for emergency talks on the domestic economy.

TOMORROW: National savings results (July).

Three-day Nordic and Baltic prime ministers' meeting opens in Denmark.

MONDAY: CBI survey of distributive trades (July). US Republican National Convention opens in Houston.

TUESDAY: UK acquisitions and mergers (second quarter). Public sector borrowing requirement (July). Quarterly analysis of unemployment by age and duration (July). Finishing of the central government borrowing requirement (second quarter). Monetary statistics including: M4 seasonal analysis; bank and building society sterling lending (second quarter). US housing starts, building permits (July). Senior Indian and Pakistani foreign ministry officials meet in New Delhi for talks on how to improve relations. Interim figures from BICC Group and Södewick Group. WEDNESDAY: Retail sales (July). Gross domestic product (second quarter) - provisional estimate. US merchandise trade (June). Referendum on new constitution for Madagascar. Bahamas general election. Interim statement from Marley. THURSDAY: Capital expenditure by the manufacturing industries (second quarter - provisional). Major British banking groups' monthly statement (July). Provisional estimates of monetary aggregates (July). Manufacturers and distributors stocks (second quarter - provisional). Mr. Ibrahim Babangida, the military president, opens conference on national unity in Abuja. Bundesbank council meeting. Interim figures from Alfred Alpin and Rentokil Group. Dowry Group annual meeting. FRIDAY: National accounts advance annual estimates (1991). Deadline for Olympic & York restructuring.

FT ACTUARIES SHARE INDICES

Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Friday August 14 1992

Highs and Lows Index

1992

Since Completion

High

Low

1992

High

Low

1992

High

Low

1992

High

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1992

High

Low

1992

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LIFFE EQUITY OPTIONS

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private

BTF capitalised at about £100m on its suspended share price of FF130, has a private status.

It seems to have withdrawn its offer to buy back the shares still in public issue. These accounts for less than 5 per cent of the total.

The offer will be based on an external valuation of the company which is expected to be completed next month.

Once BTF has returned to private status, Mr. Tapie, however, this time he is expected to look for investment opportunities in the financial and service sectors.

MGM stays in the red at halftime

by Karen Zagor in New York

MGM, the Hollywood studio controlled by its French bank creditor Credit Lyonnais, yesterday posted a second quarter operating loss of \$37.5m, compared with a deficit of \$43.5m a year earlier.

MGM is still unprofitable in balance sheet after being out for nearly a year by Mr. Carlo Perrotti, the controversial Italian financier who officially lost control of the studio in December.

Towards the end of Mr. Perrotti's tenure, MGM's production ground to a virtual halt at the financial production studio.

MGM said its development and production activities have not started to pick up.

"However, due to the long lead time required for the development and production of feature films, the effects of these measures cannot be fully reflected in the company's results in the current quarter," MGM said.

For the three months ended June 30, MGM had a net loss of \$37.5m, compared with a deficit of \$43.5m a year earlier.

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FOREIGN EXCHANGES

Inflation figures ease D-Mark

THE D-MARK eased against the US dollar and European currencies yesterday after good wholesale price figures in Germany suggested that inflationary pressures there may have abated, writes James Hill.

After significantly strengthening against all currencies on Thursday, the D-Mark closed one penny off against the US dollar at DM1.4680. However, analysts said that this may be only a temporary respite, and that traders could try and test the dollar's lows again next week.

A better-than-expected set of German wholesale prices for July suggested that inflationary pressures there have eased, and reduced dealers' fears of another Lombard rate rise.

Some currency dealers interpreted the figures as one of the

most promising signs yet that the Bundesbank will not need to raise its interest rates again. One analyst suggested that the dip in inflation will force the Bundesbank to abandon its money supply as the gauge by which it fixes interest rates, in the same way that the British government did in the mid-1980s.

However, Mr. Hans Tietmeyer, the Bundesbank Vice-President, softened the impact of the figures in a German TV interview by suggesting that they did not signify a fall in indigenous German inflation. It is partly the result of import prices and exchange rates, he said. The foreign market will also have to wait for the publication of the M3 money supply figure for July, due on Wednesday, before it can interpret the Bundesbank's next move.

Starting its recent fall against the D-Mark was news by the German inflation figures, although Britain's own figure

for headline inflation in July, down 0.2 percentage points from the previous month, had little impact. The pound closed at DM2.8150 from a previous close of DM2.8170. Analysts say that sterling's immediate fate will be decided by two factors: the strength of the dollar and next Wednesday's figures for Second Quarter GDP, which is expected to be poor. Pressure grows on the Bank of England to support the currency in the open market.

The lira remained weak against the D-Mark, as dealers continued to be swayed by Moody's two-notch downgrade of Italy's foreign currency debt on Thursday. There was no change in Italian interest rates yesterday, although dealers continue to feel that the Bank of Italy's recent cut in its discount rate was premature.

The lira closed down at L758.9 from a previous finish of L759.2. The French franc finished up against the D-Mark at FF3.385 from FF3.382.

C IN NEW YORK

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 1.0000 | 1.0000 | 1.0000 |
| 1.0000 | 1.0000 | 1.0000 |
| 1.0000 | 1.0000 | 1.0000 |

STERLING INDEX

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

CURRENCY MOVEMENTS

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

CURRENCY RATES

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

OTHER CURRENCIES

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

FORWARD RATES AGAINST STERLING

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

MONEY MARKETS

Strong futures rally

STERLING futures opened down from their previous levels yesterday as the market remained concerned by the pound's performance on the foreign exchanges. But good inflation figures in Germany and comments from a Bundesbank official boosted them in heavy trading later in the day.

The September short sterling contract opened down 3 basis points, at 89.50, as dealers took stock of sterling's recent fall below DM2.8200 against the D-Mark. However, an

EURO CURRENCY UNIT RATES

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

POUND SPOT - FORWARD AGAINST THE POUND

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

EURO CURRENCY INTEREST RATES

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

EXCHANGE CROSS RATES

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

FORWARD RATES AGAINST STERLING

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

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EURO CURRENCY UNIT RATES

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

POUND SPOT - FORWARD AGAINST THE POUND

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Aug 14 | Aug 15 | Aug 16 |
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| 100.00 | 100.00 | 100.00 |

EURO CURRENCY INTEREST RATES

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EXCHANGE CROSS RATES

| Aug 14 | Aug 15 | Aug 16 |
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FORWARD RATES AGAINST STERLING

| Aug 14 | Aug 15 | Aug 16 |
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| 100.00 | 100.00 | 100.00 |

MONEY MARKETS

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FT LONDON INTERBANK FIXING

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MONEY RATES

| Aug 14 | Aug 15 | Aug 16 |
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LONDON MONEY RATES

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FINANCIAL FUTURES AND OPTIONS

LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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| 100.00 | 100.00 | 100.00 |

LIFE LONG BLY FUTURES OPTIONS

| Aug 14 | Aug 15 | Aug 16 |
|--------|--------|--------|
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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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FINANCIAL FUTURES AND OPTIONS

LIFE LONG BLY FUTURES OPTIONS

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|--------|--------|--------|
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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

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LIFE LONG BLY FUTURES OPTIONS

| Aug 14 | Aug 15 | Aug 16 |
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| 100.00 | 100.00 | 100.00 |
| 100.00 | 100.00 | 100.00 |
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LIFE LONG BLY FUTURES

By Terry Byland
UK Stock Market Editor

| | | | |
|--------------------------|---------------|---------------|--|
| First Dealings | | | |
| JN 27 | Aug 10 | Aug 24 | |
| Options Dealings: | | | |
| Aug 6 | Aug 20 | Sep 3 | |
| Last Dealings | | | |
| Aug 7 | Aug 21 | Sep 4 | |
| Account Closes | | | |
| Aug 17 | Sep 5 | Sep 14 | |

***How does trading may take place: from 8:30 and two business days earlier.**

However, market strategists were cautious of sounding too optimistic in the wake of yesterday's recovery. The recovery in the stock market. Share prices were driven ahead by a shortage of stock and marketmakers, taken aback by the suddenness of the upturn, found themselves forced to bid for shares in markets which have been so extremely thin and difficult to trade.

Seag volume of 448.7m shares compared favourably with the 441.3m of the previous session. Thursday's retail, or customer, business was worth only £216.9m, less than satisfactory for marketmakers.

However, Sharelink, the exclusive London broker, said the private investors had been heavy buyers of UK stocks this week.

London SE volume
Turnover by volume (million)

Average daily volume 1991
430,575,000

| Date | Volume (approx.) |
|---------|------------------|
| July 25 | 450 |
| July 26 | 350 |
| July 27 | 320 |
| July 28 | 350 |
| July 29 | 330 |
| July 30 | 310 |
| July 31 | 340 |
| Aug 1 | 360 |
| Aug 2 | 370 |
| Aug 3 | 450 |
| Aug 4 | 450 |
| Aug 5 | 450 |
| Aug 6 | 450 |
| Aug 7 | 450 |
| Aug 8 | 300 |
| Aug 9 | 350 |
| Aug 10 | 450 |
| Aug 11 | 400 |
| Aug 12 | 350 |

Sept. 28 has been under pressure following worries over trading at its US subsidiary, Keeler.

Magazine publisher Reed International was down as one agency broker pointed out the relative high price of the shares compared with its second largest US subsidiary, publisher of the Financial Times.

James Capel was suggesting that, in the short term, investors might benefit from switching some of their portfolio from Reed, the group having outperformed the All-Share Index over the past year. Pearson, on the other hand has underperformed the market over the same period. Both companies are in the media sector but a number of analysts feel that the potential benefit of Pearson's per cent stake in satellite TV group BSkyB has been overlooked.

Reed was weak all day and closed 4 off 47 1/2, while Pearson rallied 3 to 32 1/2.

Insurers saw a two-way pull with some held back by worries over exposure to mortgage redefault, while others benefited from recent positive news on the US market. Sun Alliance are the companies covering principally exposed to covering lenders against losses on repossessed homes.

Royal managed a gain of only a penny to 16 1/2, despite a buy recommendation from Country

Midwest which says the stock is 36 per cent below a projected end-of-year net asset value of 255p.

South Alliance fell 5 to 242p following a press report yesterday which said South has more than 20 per cent share of the domestic mortgage indemnity market. Meanwhile, General Electric jumped a further 22 to 44p following encouraging results on Tuesday, while Commonwealth Union recorded a rise of 19 to 477p after good results on Wednesday. Tobacco and Insurance group BAT Industries jumped 23 to 723p.

International conglomerate BTR experienced a volatile session. The shares shed 5 to 420p in the day after broker Smith, Guthrie & Co. cut its 1987-88 forecasts for the group. Smith downgraded the current year figure by £20m to £590m, and that of the following year by £35m to £1,075m, blaming weakness of the Australian dollar.

However, the shares bounced back with the market to end 7 1/2 p at 420p, on the day, with turnover reaching 4.5m.

English China says jumped 45p to 485p after James Wooded led in the session by an announcement that the company is to sell its waste disposal subsidiary. The Thursday's buy recommendation from Smith New Court contin-

used to boost Tomkins where the shares gained another 6 to 422p.

Selected building stocks, which have been amongst the hardest hit as the market has fallen, bounced strongly. RMC tumbled 11 to 460p, Tarmac 5 to 50p, Barratt 5 to 54p, Mowlem 10 to 56p and Balme, helped by a buy from Hoare Govett, 9 to 189p.

Glassmaker Pilkington also surged 8 to 87p making it the most performing stock in the FT-SE 100 in percentage terms. Disappointment over the estimated level of oil reserves in the Cusiana field in Colombia held back BP, which is the operator of the field and holds a 40 per cent stake. The shares fell 10p down to 147p in early trade. The company's strong market and closed unchanged at 187 1/4p.

News from Bimac Industries, the aerospace, waste products and engineering group, that it will not pay a final dividend, took the market by surprise, sending the shares tumbling. They closed 12p down at 64p, with one analyst commenting: "Too many questions remain unanswered." A stock over-extended in Harrogate caused a sharp fall in its shares.

The FT gave 16 to 124p. Talk that some brokers were about to drop profit estimates at Greensall upset shares in the regional brewer, which fell 7p at the close at 384p.

FT-A All-Share Index

FTSE 100

1,340
1,300
1,260
1,220
1,180
1,140
1,100

J A

1992

Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market
business & overseas turnover

800
600
400
200
0

J J A

1992

Spurious talk that Forte was close to a deal on catering subsidiary Gardner Merchant were dismissed by sources close to the company. The shares rose 6 to 133p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.
Christopher Price

Currency worries knocked Cadbury Schweppes' as some observers fretted over the effect of a weak Australian dollar on company earnings. Some 5 per cent of operating profits are earned in Australia. Cadbury edged a penny lower at 410.

Yesterday, Smith New Court changed its stance from a buy to a hold and advised clients with more active funds to take profits. The house also completed its profit downgrade in Cadbury started on Thursday, forecasting £245m for this year, down £21m and £254m for 1993, a reduction of £14m. C. Warburg trimmed its 1992 estimates to £347m from £356m. Food manufacturers again came in for a bout of profit warnings as analysts predicted lower sales amid talk of sluggish sales and falling prices. Delgate was among yesterday's victims, Credit Lyonnais Laing reportedly trimming its estimates. The shares fell 6 to 30p. Low-cost food supplier Bilsdown fell 7 to 40p as James Capel was said to have cut its forecast. Talk of more downgrades in Biscuits failed to materialise but unsettled the shares, which tumbled 7 to

[illegible][illegible]

| | |
|-----------------------------|--------|
| British Funds..... | 100.00 |
| Other Fixed Interest..... | 100.00 |
| Commercial, Industrial..... | 100.00 |
| Financial & Property..... | 100.00 |
| Oil & Gas..... | 100.00 |
| Plantations..... | 100.00 |
| Mines..... | 100.00 |
| Others..... | 100.00 |

| Friday | | On the week | | | |
|--------|------|-------------|-------|-------|--|
| Falls | Same | Rises | Falls | Same | |
| 6 | 9 | 109 | 192 | 74 | |
| 0 | 1 | 16 | 22 | 37 | |
| 216 | 896 | 1,009 | 1,832 | 4,343 | |
| 133 | 533 | 388 | 1,113 | 2,497 | |
| 14 | 53 | 67 | 104 | 259 | |
| 2 | 7 | 3 | 4 | 38 | |
| 43 | 93 | 60 | 230 | 455 | |
| 41 | 55 | 140 | 246 | 256 | |

MARKETS . . .

PLUNGING PRECIOUS metals prices gave market commenta-

PLUNGING PRECIOUS metals prices gave market commentators an opportunity to explore the racier reaches of their vocabularies this week.

"The bears have really gotten the bit between their teeth," commented one dealer as London gold and platinum prices fell by \$3.10 and \$16 a troy ounce respectively on Thursday. "It came down so fast you would be a mug to touch it," said Mr Wiktor Bielski, analyst at the Bank of Montreal. "It looked like that last Alaskan bear, after the market had been locked 'horrible,' he added, and Ms Rhona O'Connell, of Williams de Broe, suggested that there were "an awful lot of shell-shocked people out there." Mr Terrell, metals specialist at Merrill Lynch, seeing no strong buying on the horizon, thought \$355 an ounce, a level last seen less than two weeks ago, "now looks like a Mauthausen concentration camp."

But the decline slowed yesterday, though the technical correction some traders had been hoping for failed to materialise. "The 'bears,' having presumably let go of the bit, were still 'hovering' over the market, one dealer told the Reuter news agency.

Gold's \$280 fall on the day left the price at \$274.45 an ounce and down \$5.50 on the week and only 26c above

the 1992 low. Contributing to the metal's weakness was a fall in the US Commodities Index. Research Bureau India, which is widely watched as an inflation indicator, and Australian dollar. But the main influence on the weakness of the Australian dollar was the extreme weakness of the platinum market.

The platinum prices slid again, barely quietly enough with a \$2.50 fall in London on Monday to \$375 an ounce. But the decline accelerated overnight on the New York market, where the October futures position's \$2.50 fall to \$370.50 on Monday broke a chart uptrend line.

Concern about sharp falls in equity values in Japan, the biggest buyer of platinum, and improving hopes of the resumption of constitutional amendments in Australia encouraged a continued bail-out by US investors as the week progressed. As the South African hopes faded yesterday morning, there were suggestions that a pre-weekend rally was on the cards. But downturn was too firmly entrenched and New York platinum futures continued downwards. The October position was down \$2.50 on Monday, ending down \$4.50 on the day and \$35.50 on the week.

In the afternoon the London

price had been fixed at \$346.25 an ounce, down \$31 on the week.

The seasonal slackening in base metals demand during the northern hemisphere summer was much in evidence at the London Metal Exchange this week. All contracts except tin ended lower.

LIVE WAREHOUSE STOCKS
(As at Thursday's close)

| | |
|-----------|-------------------|
| tonnes | |
| Aluminium | +300 to 1,314,425 |
| Copper | +1782 to 251,253 |
| Lead | +278 to 155,225 |
| Nickel | +274 to 40,995 |
| Zinc | +850 to 245,125 |
| Tin | -110 to 14,535 |

The shipment fall was in lead, demand for which is generally slack at this time of year as the replacement car battery market hears the low point of its seasonal cycle. Cash lead increased yesterday at \$239 a tonne, down \$5.50 on the day and \$19.50 week.

The copper market dropped through the floor of its recent trading range in mid-week but then found support at the equivalent of \$2,480 a tonne for three months metal. The three months price closed yesterday at \$1,515.50 a tonne, down \$10 this week. In dollar terms the price was \$2,481 a tonne, down \$3.50 on the week.

At the London Futures and Options Exchange cocoa and

coffee prices were in retreat. In the absence of a clear fundamental explanation traders attributed cocoa's fall, which left the December delivery position 23¢ down at \$844 a tonne, to bearish chart patterns and "tired long liquidation".

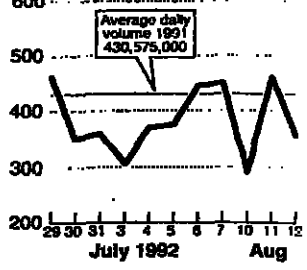
London's robusta coffee market suffered by association with the New York arabica market, which came under pressure because of an oversupplied situation that may be exacerbated by increased Colombian exports if reports circulating this week prove correct.

In contrast, robusta supplies are tight, and London traders could find no fundamental justification for this week's fall, which took the November futures down \$40 to \$723 a tonne, leaving \$49 on the table.

In New York both cotton and orange juice prices were pushed to life-of-contract lows during the week. Cotton was depressed by an estimate in a US Department of Agriculture crop report that world production was significantly higher than the trade had thought at about 16.5m bales. Orange juice weakness was influenced by the reports of big and early Brazilian orange harvest and prospects of a bumper Florida crop.

Richard Mooney

| | Aug 14 | Aug 13 | Aug 12 | Aug 11 | Aug 10 | Year Ago | 1992 | Since 1992 | Compilation | |
|------------------------------|---------|---------|---------|---------|---------|----------|--------------------|--------------------|----------------------|---------------------|
| | | | | | | | High | Low | High | |
| Government Securities | 88.47 | 87.96 | 88.06 | 88.21 | 88.28 | 85.59 | 89.75 (3/97) | 85.11 (11/11) | 127.40 (9/1/93) | 49.18 (3/1/75) |
| Fixed Interest | 104.70 | 104.19 | 104.29 | 104.40 | 104.49 | 94.54 | 108.33 (6/97) | 102.16 (12/11) | 106.35 (11/11) | 50.83 (3/1/75) |
| Ordinary Share # | 175.81 | 172.22 | 171.63 | 173.75 | 173.18 | 203.33 | 214.87 (22/05) | 171.53 (12/08) | 214.93 (22/5/92) | 49.4 (26/6/40) |
| Gold Mines | 80.2 | 81.6 | 85.8 | 88.2 | 89.3 | 177.2 | 100.0 (10/11) | 80.2 (14/08) | 73.47 (15/2/83) | 43.5 (28/10/71) |
| FT-SE 100 Share | 2356.8 | 2318.0 | 2303.1 | 2308.6 | 2325.7 | 2608.8 | 2739.8 (11/15) | 2103.1 (12/08) | 2737.6 (11/15) | 968.8 (11/11) |
| FT-SE Eurostock 200 | 5714.48 | 1065.09 | 1065.14 | 1068.09 | 1074.19 | 1179.66 | 1248.79 (11/15) | 1065.08 (12/08) | 1248.79 (11/5/82) | 936.82 (18/1/91) |
| Ord Yld Yield | 5.14 | 5.23 | 5.34 | 5.31 | 5.28 | 4.96 | 1992 | 1990 | 1985 | 1980 |
| Earning Yld % (all) | 7.47 | 7.52 | 7.64 | 7.59 | 7.55 | 7.75 | 1992 | 1990 | 1985 | 1980 |
| P/E Ratio (NOC) | 16.92 | 16.58 | 16.52 | 16.62 | 16.72 | 16.75 | 1992 | 1990 | 1985 | 1980 |



| | | | |
|--------|--------|--------|--------|
| Open | 9 am | 10 am | 11 am |
| 1718.4 | 1719.0 | 1719.7 | 1733.5 |

FT-SE 100, Hourly changes

| | | | |
|--------|--------|--------|--------|
| Open | 9 am | 10 am | 11 am |
| 2314.5 | 2313.4 | 2313.0 | 2331.0 |

FT-SE Eurotrack 200, Hourly changes

| | | |
|---------|----------|---------|
| Open | 10 30 am | 11 am |
| 1060.43 | 1062.43 | 1067.19 |

[illegible]

FAVOURABLE economic data in the UK and Germany generated a squeeze sending stock index futures sharply forward, writes Joel Kibazo.

OPTIONS TRADING

Bear closing thereafter helped September gently for-

| | Change | Yield | Week ago | Month ago |
|-----|--------|--------|----------|-----------|
| 999 | -0.56 | 0.56 | 0.41 | 0.83 |
| 0 | +0.50 | 0.99 | 0.00 | 0.81 |
| 000 | -0.90 | 7.25 | 7.38 | 7.88 |
| 0 | +0.00 | 0.63 | 0.41 | 0.11 |
| 08 | +0.250 | 0.35 | 0.33 | 0.13 |
| 0 | +0.550 | 0.96 | 0.97 | 0.81 |
| 00 | +0.085 | 7.95 | 8.03 | 7.86 |
| 0 | +0.625 | 13.791 | 13.48 | 13.48 |
| 57 | +0.525 | 4.83 | 5.12 | 5.37 |
| 42 | +0.034 | 4.82 | 5.03 | 5.20 |
| 0 | +0.655 | 8.31 | 8.37 | 8.51 |
| 00 | +0.250 | 12.07 | 12.01 | 11.66 |
| 3 | +0.884 | 9.48 | 9.56 | 9.25 |
| 1 | +1.382 | 8.23 | 8.29 | 0.98 |
| 0 | -0.332 | 8.43 | 8.56 | 8.67 |
| 5 | +0.932 | 8.59 | 8.59 | 8.62 |
| 6 | +0.932 | 7.39 | 7.43 | 7.87 |
| 0 | +0.690 | 9.33 | 9.38 | 9.03 |

12 months
 at 12.5 per cent payable by non-ros-

Yields: Local market standard
 Technical Data/14 AS Price Source

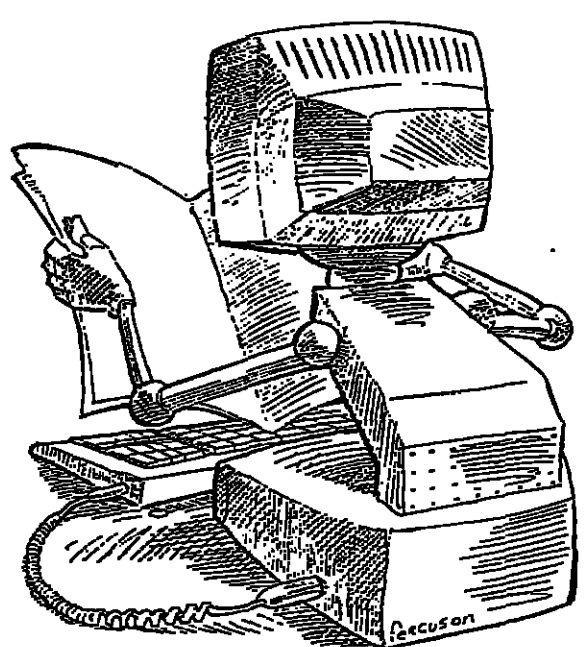
| | | | |
|-------------------------------|---------|---------------------------|---------|
| Water | + 26.11 | Insurance (Life) | + 6.82 |
| Food Retailing | + 11.18 | Chemicals | + 7.05 |
| Automotives | + 10.36 | Food Manufacturing | + 7.30 |
| Telecommunications | + 6.54 | Financial Group | + 7.57 |
| Electricity | + 4.84 | Merchant Banks | + 8.27 |
| Motors | + 4.84 | Electricals | + 8.44 |
| Banks | + 4.38 | Transportation | + 8.46 |
| Consumer Industrial Materials | + 3.92 | Commodities | + 8.46 |
| Packaging, Paper & Printing | + 0.04 | Conglomerates | + 9.78 |
| Other Groups | + 0.07 | Investment Trusts | + 10.12 |
| Telephone Networks | + 0.69 | Real Estate | + 10.12 |
| Brewers & Distillers | + 1.32 | Insurance (Compens) | + 11.23 |
| Chemicals | + 1.41 | Business Services | + 11.71 |
| Stores | + 1.58 | Health & Household | + 14.70 |
| Industrial Group | + 3.58 | Media | + 15.48 |
| Capital Goods | + 3.88 | Hotels & Leisure | + 16.64 |
| Transport | + 3.88 | Oil & Gas | + 18.85 |
| 500 Share Index | + 5.05 | Insurance (Re) | + 20.61 |
| Consumer Group | + 5.67 | Contracting, Construction | + 22.27 |
| Multi-Sector Index | + 5.78 | Property | + 34.16 |
| Engineering-General | + 5.92 | Gold Mines Index | + 41.64 |

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The FT proposes to publish this survey on **September 25 1992**. If you would like to reach the Financial Times audience, which includes the highest readership in Europe of senior business executives within finance and accounting*, please contact:

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EUROPE'S BUSINESS NEWSPAPER

4

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Modest uplift for Dow as bonds recover

Wall Street

A RECOVERY in bond prices and a bigger-than-expected rise in industrial production failed to lift US stock markets noticeably yesterday morning, and amid light summer trading share prices registered only modest gains, writes Patrick Harwood in New York.

By 1 pm the Dow Jones Industrial Average was up 11.07 at 3,324.34. The more broadly based Standard & Poor's 500 was also slightly higher at mid-session, up 1.76 at 419.49, while the Amex composite was down 0.57 at 308.18 and the Nasdaq composite 1.27 higher at 372.26.

Turnover on the NYSE was light at 95m shares by 1 pm and rises outpaced declines by 648 to 647. For the second consecutive day, share prices were unable to break out from a narrow range either side of opening values. The fact that bond prices bounced back sharply, having fallen more than a point yesterday on concern about the outlook for reducing the huge federal budget deficit, had little impact on equities.

The announcement of a 0.4 per cent rise in July industrial production also failed to stir much interest, probably because investors heeded the words of analysts who noted that most of the rise in output was covered by one-off gains in utility use and mining production.

Among individual stocks, Chrysler fell 3/4 to \$20.14 in turnover of 1.4m shares on reports that a few banks in a 152-member consortium are refusing to renew their loans to the carmaker, which could jeopardise the entire \$6.8bn lending package. In contrast, the other big manufacturers were higher, with General Motors up 1/4 at \$50.87 and Ford 1/4 at \$41.75.

Blair & Decker dropped 1/4 to \$18.12 in turnover of 1m

Hard line investors trim Switzerland's gains

The professionals have been merciless since the news began to change for the worse, writes Ian Rodger

Earnings started to go out a few weeks ago that most of the forces which had made the Swiss stock market the best performer in Europe during the first half of this year had played themselves out.

The rest of the year, according to many analysts, promises to be much less buoyant. "There is no reason to be aggressive on the Swiss market now," says Mr. Serge Lederer, head of equity research at Lombard Odier & Cie in Geneva. Mr. Robin Seydoux of Credit Suisse agrees. "There is little potential for the Swiss market at the moment," he says.

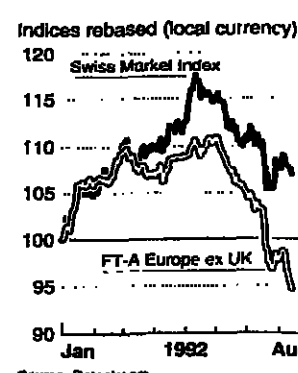
This is not, however, a unanimous view. Some feel that even though times are tougher the Swiss market will continue to outperform many other European markets, mainly because the profit outlook for the top Swiss companies remains surprisingly good. "We still favour the Swiss market as one of the best in Europe," says Mr. Martin Goller at Barings in London.

The all-share Swiss Perfor-

mance Index (SPI) started the year at 1,053 and rose smartly to the 1,200 level in early May. It remained there for a month before sliding back to yesterday's close at 1,119, leaving it still some 6 per cent up in the year to date. The SMI index of leading shares has followed a similar pattern, rising from 1,670 at the beginning of the year to a peak of 1,988 in early May. It is now back at 1,791.

Among the factors contributing to the market's rise were very high profit growth last year by leading Swiss companies and expectations of more good results this year. Also, there were indications early in the year that inflation and interest rates were about to fall and the recession in Switzerland to end.

Lastly, there was the great leap forward in transparency and investor friendliness achieved by many Swiss companies as the implementation of a new companies law in July approached. Share splits and better financial reporting were particularly appreciated by foreign investors, and analysts agree that it has been foreign



Indices rebased (local currency)

Source: Datastream

investors who have driven the market so far this year.

In the past few weeks, most of these trends have been supplanted by less pleasant ones, both political and economic. Probably the most important new consideration has been the postponement of anticipated interest rate reductions following Germany's discount rate hike a month ago.

Since then, Swiss economists have been revising down their already modest 1992 GDP growth forecasts. Credit Suisse

for example, cut its forecast from 0.8 per cent to 0.3 per cent. The dimmer economic outlook has naturally raised worries about corporate profits. Credit Suisse has revised downwards its estimate of profit growth for the 21 SMI stocks from 18.4 per cent to 15.1 per cent.

Investors have been merciless in recent days with companies which have indicated in interim reports that business was deteriorating. Elco Looser, a popular maker of high technology burners, said on August 4 that its profit growth would not be as high as it hoped, and the shares have since shed SF150 to SF2,400. Logitech has been similarly hit, with the shares down SF11 to SF139 in just over a week.

The noticeable exceptions to this trend have been the big bank stocks, which have been firm in spite of the gloomier interest rate outlook and warnings in the interim statements of Credit Suisse and Swiss Bank Corporation of higher than expected provisions this year.

Mr. Gollmer observes that

inflation has halved in the past year and he thinks that interest rates have finally peaked. Thus it is probably time to start looking at the banks and insurance companies again. This view was reinforced last Wednesday by BZ Vision, an investment holding company which launched a SF200m rights issue in Zurich to boost its investments in financial company shares.

Then there are the looming milestone decisions concerning Switzerland's future relations with the European Community. On September 27, the Swiss will vote on an Alpine transit treaty with the EC, providing a good guide on how they will vote in December or next year on joining the so-called European Economic Area (EEA). Both votes will undoubtedly be influenced by the result of the September 30 referendum in France on the Maastricht treaty.

Mr. Beat Philipp of Bank Vontobel in Zurich believes that political uncertainty over European integration is "the major factor" driving European markets at the moment. In

terms of the influences on the Swiss market, he believes a rejection of Maastricht by the French would be positive, restoring a bit of the safe haven status to Swiss securities. But the Swiss vote on the EEA is much more important, and a 'No' vote would be very negative because failure to join the EEA would weaken the country's economic growth potential.

At present, the likelihood of a Swiss rejection of the EEA treaty is in our view seriously underestimated, especially by observers outside our borders," Mr. Philipp argues ominously.

The political factors alone suggest that there could be a high level of volatility in the market in the coming months. And that makes most analysts tend to fall back on the very strong, and relatively inexpensive multinationalists like Nestlé, Sandoz, Roche and Ciba-Geigy, the latter two on p/e's of 13 and about 10%, while US competitors in the pharmaceutical industry, like Merck and Pfizer, are on around 20.

EUROPE

German economic slowdown gives bourses confidence

THE NEWS that German wholesale prices fell by 1.3 per cent in July from June, and 0.9 per cent from July 1991, gave bourses something to bite on yesterday afternoon, writes Our Markets Staff.

The question was whether investors were really moving, or just talking about it, while traders covered their short positions and tried, on a Friday afternoon, to make a little weekend spending money.

PARIS was encouraged by the German economic data and comments by Bundesbank deputy president Mr. Hans Tietmeyer, interpreted as implying no immediate change in German interest rates. The CAC-40 index, which hit a year's low on Thursday, closed up 31.10 at 1,763.46, still 1.3 per cent down on the week.

The futures market reacted quickly to the German news,

FT-SE Eurotrack 100 - Aug 14

| Hourly changes | | | | |
|--------------------|---------|---------|---------|---------|
| Open | 10.30am | 11am | 12pm | 1pm |
| 1029.46 | 1032.67 | 1033.63 | 1036.53 | 1036.86 |
| | | | | 1038.97 |
| | | | | 1040.67 |
| | | | | 1042.13 |
| Day's High 1042.13 | | | | |
| Day's Low 1029.33 | | | | |
| Aug 13 | Aug 12 | Aug 11 | Aug 10 | Aug 7 |
| 1035.59 | 1037.76 | 1044.92 | 1049.68 | 1067.01 |

Base value 1000 (20/10/90).

having been depressed in early trading, and this enthusiasm was quickly taken up by equities. However, in spite of the mild euphoria that greeted the unexpected change of direction, turnover remained moderate at FF182bn.

Some FF182bn of that was accounted for by dealings in Eurotunnel which continued to rise on earlier reports that settlement may be in sight over the dispute between the group and contractors. Its shares advanced FF2.60 or 8 per cent

to FF35.10.

FRANKFURT had little time to react to the prices data and the DAX index, while it rose 6.82 to 1,547.80 on the day, still closed 3.8 per cent down on the week. There were signs in London, later, that blue chips were recovering further in the post-bourse.

Turnover fell from DM6bn to DM4.5bn. During the session, the carmakers BMW and Daimler dropped DM1.50 to DM53.50 and DM3.50 to DM61.75 respectively. Dealers said that

the weaker dollar has been weighing on exporters and Mr. Hans Peter Wodniok, of James Capel in Frankfurt, expected a sizeable drop when the July car registration data come out in about a week.

Mr. Wodniok said that yesterday's was a technical recovery, perhaps with some shorts covered, but that after the severe depression of sentiment on Tuesday and Wednesday in particular, people were beginning to think about equity investment again.

AMSTERDAM, encouraged by its neighbours, moved ahead with the CBS Tendency index gaining 1.5 to 113.3. But weakness throughout the rest of the week resulted in the index shedding 2.2 per cent over that period.

Wassenaar, the food products group, stood out with a rise of F12.50 to F167.70 after earlier

reporting a 13 per cent rise in first half earnings. ING, the insurance group, rose 20 cents to F146.20 on news that it was not to take a 5 per cent stake in Banque Bruxelles Lambert.

MILAN weakened on Moody's downgrading of Italy's foreign currency debt rating, the Comit index dropping 4.58 to 393.70, 5.6 per cent lower on the week, in very low volume.

Investors ignored preliminary measures to enliven the market, and to advance the government's ambitious privatisation programme, announced late on Thursday by the finance minister Mr. Giovanni Goria.

Traders did note, however, that the insurance sector posted gains in after-hours trading, partly on rumours of a devaluation of the lira, which has been under speculative pressure. Ras closed down L265

to L13,744 but recovered to L13,908 later, while Alleanza fell L206 to L11,069 but recovered all of that and L2 more to end at L11,277.

MADRID followed Europe up, the general index finished 2.09 higher at 207.58, 3.8 per cent lower on the week, but dealers said that the higher prices had hardly any support in volume terms.

Banks were the outstanding feature, led higher by Santander which gained Pt30, or 3.9 per cent to Pt3,500. Banesto added Pt65 to Pt2,160 and Popular Pt180 to Pt3,800. OSLO rose for the first time in eleven trading sessions, the all share index ending 3.49 better at 351.33, still 3.1 per cent lower on the week.

VIENNA ended the week stronger with the ATX index up 13.12 at 696.08, but 3.3 per cent lower over five days.

ASIA PACIFIC

Nikkei rises for first time in seven days

Tokyo

SMALL-LOT short covering and index-linked buying supported share prices, and the Nikkei average rose for the first time in seven trading days, writes Emma Terazono in Tokyo.

The Nikkei closed up 52.08 at 14,800.25, down 4.5 per cent on the week. Option-related selling, linked to the settlement of August option contracts, brought it down in the morning to the day's low of 14,657.27, but as dealers and investors tried to cover short positions in the afternoon and the index hit the day's high of 14,928.54.

Volume swelled to 280m shares from 197m. Traders said option related activity accounted for about 90m to 100m shares. Advances led declines by 568 to 850 with 152 unchanged. The Topix index of all first section stocks rose 5.63 to 1,123.13 and, in London, the ISE/Nikkei 50 index put on 2.50 to 835.84.

Traders noted small-lot bar-

gain hunting by US pension funds. "They are interested in averaging down prices on their holdings of blue chips, but the orders are not large enough to support the overall market," said Mr. Ross Purdie at SG Warburg Securities.

Issues which had been sold heavily recently rebounded, short covering. Nippon Housing Loan, the financially troubled housing loan company, surged Y16 to Y118, along with Nippon Credit Bank, the long-term credit bank facing increasing property related problem loans, which advanced Y250 to Y3,950.

Dealers bought back speculative theme stocks, previously lower on profit taking. Okamoto Industries gained Y80 to Y880 and Meiji Milk Products rose Y21 to Y770.

Highly-priced issues, previously sold by investors facing margin calls, rebounded on bargain hunting. Sega Enterprises gained Y30 to Y7,880 and Seven-Eleven Japan added Y140 to Y6,590.

Motorcycle makers advanced on the sharp rise in last month's motorcycle exports to the US. Yamaha rose Y21 to Y822 and Suzuki Motor Y3 to Y736. Suzuki has outperformed the market by over 25 per cent during the last three months, due to rumours of an acquisition by a leading US car company.

In Osaka, the OSE average rose 97.13 to 15,770.22 in volume of 13.2m shares.

Roundup

PACIFIC Basin markets had a mixed performance ahead of the weekend.

HONG KONG was disappointed by Hang Seng Bank's first half results and the index lost 34.52 to 5,922.59, a 0.5 per cent loss on the week. Turnover jumped to HK\$4.47bn after a low HK\$1.83bn on Thursday.

Hang Seng Bank lost HK\$2 to HK\$4. Bank of East Asia gained 7 cents to HK\$5.50 as investors switched to the dollar.

AUSTRALIA fell further to close the week 2.4 per cent down. The All Ordinaries index shed 19.4 to 1,549.0 in turnover of A\$177m with weaker gold

stocks having a major impact on sentiment.

NEW ZEALAND was dragged lower by Fletcher Challenge which lost 19 cents to NZ\$2.33 ahead of next week's annual results when it is expected to announce large losses. The NZSE-40 index lost 22.55 to 1,471.31, 3.1 per cent down on the week.

SEOUL remained nervous ahead of first half results due out today. The composite index slid 9.35 to 478.90 for a 3.3 per cent fall on the week.

TAIWAN saw a strong performance in the construction sector lift the market. The weighted index advanced 21.56 to 3,914.90, but closed 4.1 per cent lower on the week.

MANILA continued to outperform other markets in the region as the composite index gained 28.71 to 1,520.17 for an increase of 4 per cent on the week.

BOMBAY rose sharply on the first day of the new new accounting period. The BSE rose 116.35 or 4.35 per cent to 2,795.18.

LONDON SHARE SERVICE

BRITISH FUNDS

| Notes | Price | Yield | 1992 |
|---------------------------------|-------|-------|-------|
| Shorts (Lives up to Five Years) | | | |
| 13/10/1992 | 100.5 | 100.5 | 100.5 |
| 13/10/1991 | 100.5 | 100.5 | 100.5 |
| 13/10/1990 | 100.5 | 100.5 | 100.5 |
| 13/10/1989 | 100.5 | 100.5 | 100.5 |
| 13/10/1988 | 100.5 | 100.5 | 100.5 |
| 13/10/1987 | 100.5 | 100.5 | 100.5 |
| 13/10/1986 | 100.5 | 100.5 | 100.5 |
| 13/10/1985 | 100.5 | 100.5 | 100.5 |
| 13/10/1984 | 100.5 | 100.5 | 100.5 |
| 13/10/1983 | 100.5 | 100.5 | 100.5 |
| 13/10/1982 | 100.5 | 100.5 | 100.5 |
| 13/10/1981 | 100.5 | 100.5 | 100.5 |
| 13/10/1980 | 100.5 | 100.5 | 100.5 |
| 13/10/1979 | 100.5 | 100.5 | 100.5 |
| 13/10/1978 | 100.5 | 100.5 | 100.5 |
| 13/10/1977 | 100.5 | 100.5 | 100.5 |
| 13/10/1976 | 100.5 | 100.5 | 100.5 |
| 13/10/1975 | 100.5 | 100.5 | 100.5 |
| 13/10/1974 | 100.5 | 100.5 | 100.5 |
| 13/10/1973 | 100.5 | 100.5 | 100.5 |
| 13/10/1972 | 100.5 | 100.5 | 100.5 |
| 13/10/1971 | 100.5 | 100.5 | 100.5 |
| 13/10/1970 | 100.5 | 100.5 | 100.5 |
| 13/10/1969 | 100.5 | 100.5 | 100.5 |
| 13/10/1968 | 100.5 | 100.5 | 100.5 |
| 13/10/1967 | 100.5 | 100.5 | 100.5 |
| 13/10/1966 | 100.5 | 100.5 | 100.5 |
| 13/10/1965 | 100.5 | 100.5 | 100.5 |
| 13/10/1964 | 100.5 | 100.5 | 100.5 |
| 13/10/1963 | 100.5 | 100.5 | 100.5 |
| 13/10/1962 | 100.5 | 100.5 | 100.5 |
| 13/10/1961 | 100.5 | 100.5 | 100.5 |
| 13/10/1960 | 100.5 | 100.5 | 100.5 |
| 13/10/1959 | 100.5 | 100.5 | 100.5 |
| 13/10/1958 | 100.5 | 100.5 | 100.5 |
| 13/10/1957 | 100.5 | 100.5 | 100.5 |
| 13/10/1956 | 100.5 | 100.5 | 100.5 |
| 13/10/1955 | 100.5 | 100.5 | 100.5 |
| 13/10/1954 | 100.5 | 100.5 | 100.5 |
| 13/10/1953 | 100.5 | 100.5 | 100.5 |
| 13/10/1952 | 100.5 | 100.5 | 100.5 |
| 13/10/1951 | 100.5 | 100.5 | 100.5 |
| 13/10/1950 | 100.5 | 100.5 | 100.5 |
| 13/10/1949 | 100.5 | 100.5 | 100.5 |
| 13/10/1948 | 100.5 | 100.5 | 100.5 |
| 13/10/1947 | 100.5 | 100.5 | 100.5 |
| 13/10/1946 | 100.5 | 100.5 | 100.5 |
| 13/10/1945 | 100.5 | 100.5 | 100.5 |
| 13/10/1944 | 100.5 | 100.5 | 100.5 |
| 13/10/1943 | 100.5 | 100.5 | 100.5 |
| 13/10/1942 | 100.5 | 100.5 | 100.5 |
| 13/10/1941 | 100.5 | 100.5 | 100.5 |
| 13/10/1940 | 100.5 | 100.5 | 100.5 |
| 13/10/1939 | 100.5 | 100.5 | 100.5 |
| 13/10/1938 | 100.5 | 100.5 | 100.5 |
| 13/10/1937 | 100.5 | 100.5 | 100.5 |
| 13/10/1936 | 100.5 | 100.5 | 100.5 |
| 13/10/1935 | 100.5 | 100.5 | 100.5 |
| 13/10/1934 | 100.5 | 100.5 | 100.5 |
| 13/10/1933 | 100.5 | 100.5 | 100.5 |
| 13/10/1932 | 100.5 | 100.5 | 100.5 |
| 13/10/1931 | 100.5 | 100.5 | 100.5 |
| 13/10/1930 | 100.5 | 100.5 | 100.5 |
| 13/10/1929 | 100.5 | 100.5 | 100.5 |
| 13/10/1928 | 100.5 | 100.5 | 100.5 |
| 13/10/1927 | 100.5 | 100.5 | 100.5 |
| 13/10/1926 | 100.5 | 100.5 | 100.5 |
| 13/10/1925 | 100.5 | 100.5 | 100.5 |
| 13/10/1924 | 100.5 | 100.5 | 100.5 |
| 13/10/1923 | 100.5 | 100.5 | 100.5 |
| 13/10/1922 | 100.5 | 100.5 | 100.5 |
| 13/10/1921 | 100.5 | 100.5 | 100.5 |
| 13/10/1920 | 100.5 | 100.5 | 100.5 |
| 13/10/1919 | 100.5 | 100.5 | 100.5 |
| 13/10/1918 | 100.5 | 100.5 | 100.5 |
| 13/10/1917 | 100.5 | 100.5 | 100.5 |
| 13/10/1916 | 100.5 | 100.5 | 100.5 |
| 13/10/1915 | 100.5 | 100.5 | 100.5 |
| 13/10/1914 | 100.5 | 100.5 | 100.5 |
| 13/10/1913 | 100.5 | 100.5 | 100.5 |
| 13/10/1912 | 100.5 | 100.5 | 100.5 |
| 13/10/1911 | 100.5 | 100.5 | 100.5 |
| 13/10/1910 | 100.5 | 100.5 | 100.5 |
| 13/10/1909 | 100.5 | 100.5 | 100.5 |
| 13/10/1908 | 100.5 | 100.5 | 100.5 |
| 13/10/1907 | 100.5 | 100.5 | 100.5 |
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| 13/10/1904 | 100.5 | 100.5 | 100.5 |
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| 13/10/1882 | 100.5 | 100.5 | 100.5 |
| 13/10/1881 | 100.5 | 100.5 | 100.5 |
| 13/10/1880 | 100.5 | 100.5 | 100.5 |
| 13/10/1879 | 100.5 | 100.5 | 100.5 |
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| 13/10/1872 | 100.5 | 100.5 | 100.5 |
| 13/10/1871 | 100.5 | 100.5 | 100.5 |
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| 13/10/1867 | 100.5 | 100.5 | 100.5 |
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| 13/10/1865 | 100.5 | 100.5 | 100.5 |
| 13/10/1864 | 100.5 | 100.5 | 100.5 |
| 13/10/1863 | 100.5 | 100.5 | 100.5 |
| 13/10/1862 | 100.5 | 100.5 | 100.5 |
| 13/10/1861 | 100.5 | 100.5 | 100.5 |
| 13/10/1860 | 100.5 | 100.5 | 100.5 |
| 13/10/1859 | 100.5 | 100.5 | 100.5 |
| 13/10/1858 | 100.5 | 100.5 | 100.5 |
| 13/10/1857 | 100.5 | 100.5 | 100.5 |
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| 13/10/1849 | 100.5 | 100.5 | 100.5 |
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| 13/10/1847 | 100.5 | 100.5 | 100.5 |
| 13/10/1846 | 100.5 | 100.5 | 100.5 |
| 13/10/1845 | 100.5 | 100.5 | 100.5 |
| 13/10/1844 | 100.5 | 100.5 | 100.5 |
| 13/10/1843 | 100.5 | 100.5 | 100.5 |
| 13/10/1842 | 100.5 | 100.5 | 100.5 |
| 13/10/1841 | 100.5 | 100.5 | 100.5 |
| 13/10/1840 | 100.5 | 100.5 | 100.5 |
| 13/10/1839 | 100.5 | 100.5 | 100.5 |
| 13/10/1838 | 100.5 | 100.5 | 100.5 |
| 13/10/1837 | 100.5 | 100.5 | 100.5 |
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| 13/10/1834 | 100.5 | 100.5 | 100.5 |
| 13/10/1833 | 100.5 | 100.5 | 100.5 |
| 13/10/1832 | 100.5 | 100.5 | 100.5 |
| 13/10/1831 | 100.5 | 100.5 | 100.5 |
| 13/10/1830 | 100.5 | 100.5 | 100.5 |
| 13/10/1829 | 100.5 | 100.5 | 100.5 |
| 13/10/1828 | 100.5 | 100.5 | 100.5 |
| 13/10/1827 | 100.5 | 100.5 | 100.5 |
| 13/10/1826 | 100.5 | 100.5 | 100.5 |
| 13/10/1825 | 100.5 | 100.5 | 100.5 |
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| 13/10/1823 | 100.5 | 100.5 | 100.5 |
| 13/10/1822 | 100.5 | 100.5 | 100.5 |
| 13/10/1821 | 100.5 | 100.5 | 100.5 |
| 13/10/1820 | 100.5 | 100.5 | 100.5 |
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| 13/10/1818 | 100.5 | 100.5 | 100.5 |
| 13/10/1817 | 100.5 | 100.5 | 100.5 |
| 13/10/1816 | 100.5 | 100.5 | 100.5 |
| 13/10/1815 | 100.5 | 100.5 | 100.5 |
| 13/10/1814 | 100.5 | 100.5 | 100.5 |
| 13/10/1813 | 100.5 | 100.5 | 100.5 |
| 13/10/1812 | 100.5 | 100.5 | 100.5 |
| 13/10/1811 | 100.5 | 100.5 | 100.5 |
| 13/10/1810 | 100.5 | 100.5 | 100.5 |
| 13/10/1809 | 100.5 | 100.5 | 100.5 |
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| 13/10/1807 | 100.5 | 100.5 | 100.5 |
| 13/10/1806 | 100.5 | 100.5 | 100.5 |
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| 13/10/1804 | 100.5 | 100.5 | 100.5 |
| 13/10/1803 | 100.5 | 100.5 | 100.5 |
| 13/10/1802 | 100.5 | 100.5 | 100.5 |
| 13/10/1801 | 100.5 | 100.5 | 100.5 |
| 13/10/1800 | 100.5 | 100.5 | 100.5 |
| 13/10/1799 | 100.5 | 100.5 | 100.5 |
| 13/10/1798 | 100.5 | 100.5 | 100.5 |
| 13/10/1797 | 100.5 | 100.5 | 100.5 |
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| 13/10/1791 | 100.5 | 100.5 | 100.5 |
| 13/10/1790 | 100.5 | 100.5 | 100.5 |
| 13/10/1789 | 100.5 | 100.5 | 100.5 |
| 13/10/1788 | 100.5 | 100.5 | 100.5 |
| 13/10/1787 | 100.5 | 100.5 | 100.5 |
| 13/10/1786 | 100.5 | 100.5 | 100.5 |
| 13/10/1785 | 100.5 | 100.5 | 100.5 |
| 13/10/1784 | 100.5 | 100.5 | 100.5 |
| 13/10/1783 | 100.5 | 100.5 | 100.5 |
| 13/10/1782 | 100.5 | 100.5 | 100.5 |
| 13/10/1781 | 100.5 | 100.5 | 100.5 |
| 13/10/1780 | 100.5 | 100.5 | 100.5 |
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| 13/10/1778 | 100.5 | 100.5 | 100.5 |
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| 13/10/1776 | 100.5 | 100.5 | 100.5 |
| 13/10/1775 | 100.5 | 100.5 | 100.5 |
| 13/10/1774 | 100.5 | 100.5 | 100.5 |
| 13/10/1773 | 100.5 | 100.5 | 100.5 |
| 13/10/1772 | 100.5 | 100.5 | 100.5 |
| 13/10/1771 | 100.5 | 100.5 | 100.5 |
| 13/10/1770 | 100.5 | 100.5 | 100.5 |
| 13/10/1769 | 100.5 | 100.5 | 100.5 |
| 13/10/1768 | 100.5 | 100.5 | 100.5 |
| 13/10/1767 | 100.5 | 100.5 | 100.5 |
| 13/10/1766 | 100.5 | 100.5 | 100.5 |
| 13/10/1765 | 100.5 | 100.5 | 100.5 |
| 13/10/1764 | 100.5 | 100.5 | 100.5 |
| 13/10/1763 | 100.5 | 100.5 | 100.5 |
| 13/10/1762 | 100.5 | 100.5 | 100.5 |
| 13/10/1761 | 100.5 | 100.5 | 100.5 |
| 13/10/1760 | 100.5 | 100.5 | 100.5 |
| 13/10/1759 | 100.5 | 100.5 | 100.5 |
| 13/10/1758 | 100.5 | 100.5 | 100.5 |
| 13/10/1757 | 100.5 | 100.5 | 100.5 |
| 13/10/1756 | 100.5 | 100.5 | 100.5 |
| 13/10/1755 | 100.5 | 100.5 | 100.5 |
| 13/10/1754 | 100.5 | 100.5 | 100.5 |
| 13/10/1753 | 100.5 | 100.5 | 100.5 |
| 13/10/1752 | 100.5 | 100.5 | 100.5 |
| 13/10/1751 | 100.5 | 100.5 | 100.5 |
| 13/10/1750 | 100.5 | 100.5 | 100.5 |
| 13/10/1749 | 100.5 | 100.5 | 100.5 |
| 13/10/1748 | 100.5 | 100.5 | 100.5 |
| 13/10/1747 | 100.5 | 100.5 | 100.5 |
| 13/10/1746 | 100.5 | 100.5 | 100.5 |
| 13/10/1745 | 100.5 | 100.5 | 100.5 |
| 13/10/1744 | 100.5 | 100.5 | 100.5 |
| 13/10/1743 | 100.5 | 100.5 | 100.5 |
| 13/10/1742 | 100.5 | 100.5 | 100.5 |
| 13/10/1741 | 10 | | |

LONDON SHARE SERVICE

AMERICANS

| Company | Price | 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 | 1972 | 1971 | 1970 | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 | 1963 | 1962 | 1961 | 1960 | 1959 | 1958 | 1957 | 1956 | 1955 | 1954 | 1953 | 1952 | 1951 | 1950 | 1949 | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 1938 | 1937 | 1936 | 1935 | 1934 | 1933 | 1932 | 1931 | 1930 | 1929 | 1928 | 1927 | 1926 | 1925 | 1924 | 1923 | 1922 | 1921 | 1920 | 1919 | 1918 | 1917 | 1916 | 1915 | 1914 | 1913 | 1912 | 1911 | 1910 | 1909 | 1908 | 1907 | 1906 | 1905 | 1904 | 1903 | 1902 | 1901 | 1900 | 1899 | 1898 | 1897 | 1896 | 1895 | 1894 | 1893 | 1892 | 1891 | 1890 | 1889 | 1888 | 1887 | 1886 | 1885 | 1884 | 1883 | 1882 | 1881 | 1880 | 1879 | 1878 | 1877 | 1876 | 1875 | 1874 | 1873 | 1872 | 1871 | 1870 | 1869 | 1868 | 1867 | 1866 | 1865 | 1864 | 1863 | 1862 | 1861 | 1860 | 1859 | 1858 | 1857 | 1856 | 1855 | 1854 | 1853 | 1852 | 1851 | 1850 | 1849 | 1848 | 1847 | 1846 | 1845 | 1844 | 1843 | 1842 | 1841 | 1840 | 1839 | 1838 | 1837 | 1836 | 1835 | 1834 | 1833 | 1832 | 1831 | 1830 | 1829 | 1828 | 1827 | 1826 | 1825 | 1824 | 1823 | 1822 | 1821 | 1820 | 1819 | 1818 | 1817 | 1816 | 1815 | 1814 | 1813 | 1812 | 1811 | 1810 | 1809 | 1808 | 1807 | 1806 | 1805 | 1804 | 1803 | 1802 | 1801 | 1800 | 1799 | 1798 | 1797 | 1796 | 1795 | 1794 | 1793 | 1792 | 1791 | 1790 | 1789 | 1788 | 1787 | 1786 | 1785 | 1784 | 1783 | 1782 | 1781 | 1780 | 1779 | 1778 | 1777 | 1776 | 1775 | 1774 | 1773 | 1772 | 1771 | 1770 | 1769 | 1768 | 1767 | 1766 | 1765 | 1764 | 1763 | 1762 | 1761 | 1760 | 1759 | 1758 | 1757 | 1756 | 1755 | 1754 | 1753 | 1752 | 1751 | 1750 | 1749 | 1748 | 1747 | 1746 | 1745 | 1744 | 1743 | 1742 | 1741 | 1740 | 1739 | 1738 | 1737 | 1736 | 1735 | 1734 | 1733 | 1732 | 1731 | 1730 | 1729 | 1728 | 1727 | 1726 | 1725 | 1724 | 1723 | 1722 | 1721 | 1720 | 1719 | 1718 | 1717 | 1716 | 1715 | 1714 | 1713 | 1712 | 1711 | 1710 | 1709 | 1708 | 1707 | 1706 | 1705 | 1704 | 1703 | 1702 | 1701 | 1700 | 1699 | 1698 | 1697 | 1696 | 1695 | 1694 | 1693 | 1692 | 1691 | 1690 | 1689 | 1688 | 1687 | 1686 | 1685 | 1684 | 1683 | 1682 | 1681 | 1680 | 1679 | 1678 | 1677 | 1676 | 1675 | 1674 | 1673 | 1672 | 1671 | 1670 | 1669 | 1668 | 1667 | 1666 | 1665 | 1664 | 1663 | 1662 | 1661 | 1660 | 1659 | 1658 | 1657 | 1656 | 1655 | 1654 | 1653 | 1652 | 1651 | 1650 | 1649 | 1648 | 1647 | 1646 | 1645 | 1644 | 1643 | 1642 | 1641 | 1640 | 1639 | 1638 | 1637 | 1636 | 1635 | 1634 | 1633 | 1632 | 1631 | 1630 | 1629 | 1628 | 1627 | 1626 | 1625 | 1624 | 1623 | 1622 | 1621 | 1620 | 1619 | 1618 | 1617 | 1616 | 1615 | 1614 | 1613 | 1612 | 1611 | 1610 | 1609 | 1608 | 1607 | 1606 | 1605 | 1604 | 1603 | 1602 | 1601 | 1600 | 1599 | 1598 | 1597 | 1596 | 1595 | 1594 | 1593 | 1592 | 1591 | 1590 | 1589 | 1588 | 1587 | 1586 | 1585 | 1584 | 1583 | 1582 | 1581 | 1580 | 1579 | 1578 | 1577 | 1576 | 1575 | 1574 | 1573 | 1572 | 1571 | 1570 | 1569 | 1568 | 1567 | 1566 | 1565 | 1564 | 1563 | 1562 | 1561 | 1560 | 1559 | 1558 | 1557 | 1556 | 1555 | 1554 | 1553 | 1552 | 1551 | 1550 | 1549 | 1548 | 1547 | 1546 | 1545 | 1544 | 1543 | 1542 | 1541 | 1540 | 1539 | 1538 | 1537 | 1536 | 1535 | 1534 | 1533 | 1532 | 1531 | 1530 | 1529 | 1528 | 1527 | 1526 | 1525 | 1524 | 1523 | 1522 | 1521 | 1520 | 1519 | 1518 | 1517 | 1516 | 1515 | 1514 | 1513 | 1512 | 1511 | 1510 | 1509 | 1508 | 1507 | 1506 | 1505 | 1504 | 1503 | 1502 | 1501 | 1500 | 1499 | 1498 | 1497 | 1496 | 1495 | 1494 | 1493 | 1492 | 1491 | 1490 | 1489 | 1488 | 1487 | 1486 | 1485 | 1484 | 1483 | 1482 | 1481 | 1480 | 1479 | 1478 | 1477 | 1476 | 1475 | 1474 | 1473 | 1472 | 1471 | 1470 | 1469 | 1468 | 1467 | 1466 | 1465 | 1464 | 1463 | 1462 | 1461 | 1460 | 1459 | 1458 | 1457 | 1456 | 1455 | 1454 | 1453 | 1452 | 1451 | 1450 | 1449 | 1448 | 1447 | 1446 | 1445 | 1444 | 1443 | 1442 | 1441 | 1440 | 1439 | 1438 | 1437 | 1436 | 1435 | 1434 | 1433 | 1432 | 1431 | 1430 | 1429 | 1428 | 1427 | 1426 | 1425 | 1424 | 1423 | 1422 | 1421 | 1420 | 1419 | 1418 | 1417 | 1416 | 1415 | 1414 | 1413 | 1412 | 1411 | 1410 | 1409 | 1408 | 1407 | 1406 | 1405 | 1404 | 1403 | 1402 | 1401 | 1400 | 1399 | 1398 | 1397 | 1396 | 1395 | 1394 | 1393 | 1392 | 1391 | 1390 | 1389 | 1388 | 1387 | 1386 | 1385 | 1384 | 1383 | 1382 | 1381 | 1380 | 1379 | 1378 | 1377 | 1376 | 1375 | 1374 | 1373 | 1372 | 1371 | 1370 | 1369 | 1368 | 1367 | 1366 | 1365 | 1364 | 1363 | 1362 | 1361 | 1360 | 1359 | 1358 | 1357 | 1356 | 1355 | 1354 | 1353 | 1352 | 1351 | 1350 | 1349 | 1348 | 1347 | 1346 | 1345 | 1344 | 1343 | 1342 | 1341 | 1340 | 1339 | 1338 | 1337 | 1336 | 1335 | 1334 | 1333 | 1332 | 1331 | 1330 | 1329 | 1328 | 1327 | 1326 | 1325 | 1324 | 1323 | 1322 | 1321 | 1320 | 1319 | 1318 | 1317 | 1316 | 1315 | 1314 | 1313 | 1312 | 1311 | 1310 | 1309 | 1308 | 1307 | 1306 | 1305 | 1304 | 1303 | 1302 | 1301 | 1300 | 1299 | 1298 | 1297 | 1296 | 1295 | 1294 | 1293 | 1292 | 1291 | 1290 | 1289 | 1288 | 1287 | 1286 | 1285 | 1284 | 1283 | 1282 | 1281 | 1280 | 1279 | 1278 | 1277 | 1276 | 1275 | 1274 | 1273 | 1272 | 1271 | 1270 | 1269 | 1268 | 1267 | 1266 | 1265 | 1264 | 1263 | 1262 | 1261 | 1260 | 1259 | 1258 | 1257 | 1256 | 1255 | 1254 | 1253 | 1252 | 1251 | 1250 | 1249 | 1248 | 1247 | 1246 | 1245 | 1244 | 1243 | 1242 | 1241 | 1240 | 1239 | 1238 | 1237 | 1236 | 1235 | 1234 | 1233 | 1232 | 1231 | 1230 | 1229 | 1228 | 1227 | 1226 | 1225 | 1224 | 1223 | 1222 | 1221 | 1220 | 1219 | 1218 | 1217 | 1216 | 1215 | 1214 | 1213 | 1212 | 1211 | 1210 | 1209 | 1208 | 1207 | 1206 | 1205 | 1204 | 1203 | 1202 | 1201 | 1200 | 1199 | 1198 | 1197 | 1196 | 1195 | 1194 | 1193 | 1192 | 1191 | 1190 | 1189 | 1188 | 1187 | 1186 | 1185 | 1184 | 1183 | 1182 | 1181 | 1180 | 1179 | 1178 | 1177 | 1176 | 1175 | 1174 | 1173 | 1172 | 1171 | 1170 | 1169 | 1168 | 1167 | 1166 | 1165 | 1164 | 1163 | 1162 | 1161 | 1160 | 1159 | 1158 | 1157 | 1156 | 1155 | 1154 | 1153 | 1152 | 1151 | 1150 | 1149 | 1148 | 1147 | 1146 | 1145 | 1144 | 1143 | 1142 | 1141 | 1140 | 1139 | 1138 | 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| 993 | 992 | 991 | 990 | 989 | 988 | 987 | 986 | 985 | 984 | 983 | 982 | 981 | 980 | 979 | 978 | 977 | 976 | 975 | 974 | 973 | 972 | 971 | 970 | 969 | 968 | 967 | 966 | 965 | 964 | 963 | 962 | 961 | 960 | 959 | 958 | 957 | 956 | 955 | 954 | 953 | 952 | 951 | 950 | 949 | 948 | 947 | 946 | 945 | 944 | 943 | 942 | 941 | 940 | 939 | 938 | 937 | 936 | 935 | 934 | 933 | 932 | 931 | 930 | 929 | 928 | 927 | 926 | 925 | 924 | 923 | 922 | 921 | 920 | 919 | 918 | 917 | 916 | 915 | 914 | 913 | 912 | 911 | 910 | 909 | 908 | 907 | 906 | 905 | 904 | 903 | 902 | 901 | 900 | 899 | 898 | 897 | 896 | 895 | 894 | 893 | 892 | 891 | 890 | 889 | 888 | 887 | 886 | 885 | 884 | 883 | 882 | 881 | 880 | 879 | 878 | 877 | 876 | 875 | 874 | 873 | 872 | 871 | 870 | 869 | 868 | 867 | 866 | 865 | 864 | 863 | 862 | 861 | 860 | 859 | 858 | 857 | 856 | 855 | 854 | 853 | 852 | 851 | 850 | 849 | 848 | 847 | 846 | 845 | 844 | 843 | 842 | 841 | 840 | 839 | 838 | 837 | 836 | 835 | 834 | 833 | 832 | 831 | 830 | 829 | 828 | 827 | 826 | 825 | 824 | 823 | 822 | 821 | 820 | 819 | 818 | 817 | 816 | 815 | 814 | 813 | 812 | 811 | 810 | 809 | 808 | 807 | 806 | 805 | 804 | 803 | 802 | 801 | 800 | 799 | 798 | 797 | 796 | 795 | 794 | 793 | 792 | 791 | 790 | 789 | 788 | 787 | 786 | 785 | 784 | 783 | 782 | 781 | 780 | 779 | 778 | 777 | 776 | 775 | 774 | 773 | 772 | 771 | 770 | 769 | 768 | 767 | 766 | 765 | 764 | 763 | 762 | 761 | 760 | 759 | 758 | 757 | 756 | 755 | 754 | 753 | 752 | 751 | 750 | 749 | 748 | 747 | 746 | 745 | 744 | 743 | 742 | 741 | 740 | 739 | 738 | 737 | 736 | 735 | 734 | 733 | 732 | 731 | 730 | 729 | 728 | 727 | 726 | 725 | 724 | 723 | 722 | 721 | 720 | 719 | 718 | 717 | 716 | 715 | 714 | 713 | 712 | 711 | 710 | 709 | 708 | 707 | 706 | 705 | 704 | 703 | 702 | 701 | 700 | 699 | 698 | 697 | 696 | 695 | 694 | 693 | 692 | 691 | 690 | 689 | 688 | 687 | 686 | 685 | 684 | 683 | 682 | 681 | 680 | 679 | 678 | 677 | 676 | 675 | 674 | 673 | 672 | 671 | 670 | 669 | 668 | 667 | 666 | 665 | 664 | 663 | 662 | 661 | 660 | 659 | 658 | 657 | 656 | 655 | 654 | 653 | 652 | 651 | 650 | 649 | 648 | 647 | 646 | 645 | 644 | 643 | 642 | 641 | 640 | 639 | 638 | 637 | 636 | 635 | 634 | 633 | 632 | 631 | 630 | 629 | 628 | 627 | 626 | 625 | 624 | 623 | 622 | 621 | 620 | 619 | 618 | 617 | 616 | 615 | 614 | 613 | 612 | 611 | 610 | 609 | 608 | 607 | 606 | 605 | 604 | 603 | 602 | 601 | 600 | 599 | 598 | 597 | 596 | 595 | 594 |
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MARKETS

London Markets

Harold has a message for John

By Peter Martin, Financial Editor

FIRST thing on Friday, the FT reported that the dividend yield on the FT-All-Share Index had closed the previous day at over 5% per cent. A few hours later, the government announced that retail prices had risen at just under 3% per cent in the 12 months to July.

Taken separately, these two figures are unremarkable. The surprise lies in their juxtaposition. Subtracted one from another - to show the real, or inflation-adjusted, yield on equities - they reflect something that has happened in only a few months during the past quarter-century. On the basis of those numbers, UK equities this week are providing a real yield of over 1% per cent.

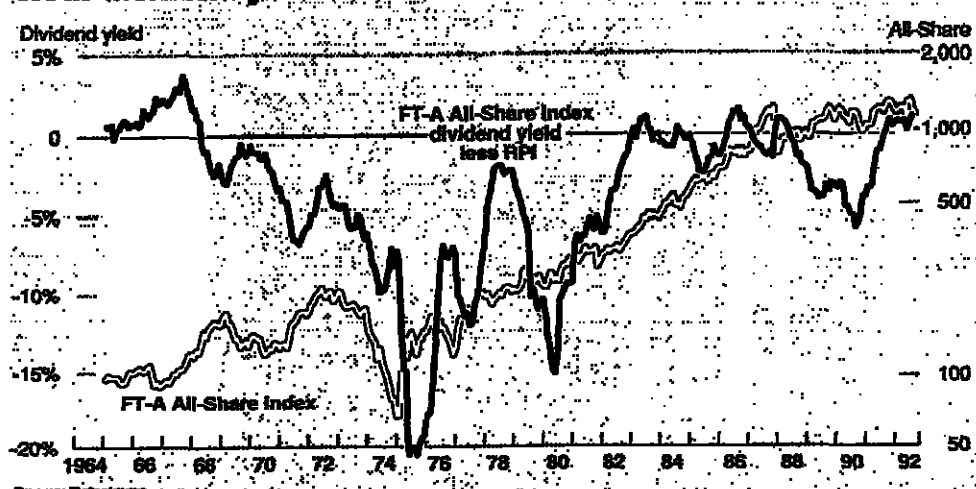
As the chart shows, that level was achieved for a couple of months in the summer of 1986, and for a couple of years in the mid-1980s. Otherwise, real yields on equities have stayed well below that; indeed, for most of recent experience,

they have been negative. By itself, that might be a mere curiosity. But periods of positive real yields appear to have usually been followed, in the past quarter-century at least, by a sharp rise in the stock market, pushing yields down in both nominal and real terms.

So, does the current level of yields reflect one of those extraordinary buying opportunities that come along once a decade or so? You would not have thought so, to judge from the mood of the market for most of the week. As day followed day, each bringing a lower closing figure for the FT-SE 100 index, the gloom mounted.

On both Tuesday and Wednesday, the FT-SE dipped at times below 2,300. Though it clambered back above that level on each occasion, Wednesday's closing figure of 2,303.1 marked the seventh successive day of decline, the longest unbroken fall since calculation of the index began in 1984.

Real dividend yields



The mood of the market was not the only reason for mistrusting the buying signal that the level of real yields might be thought to be providing. If you look at the chart, which stretches back to the early days of the All-Share index, there is one sustained period during which yields are consistently positive - from 1965 to the spring of 1968. The turn came in 1967, when real yields peaked at 3.61 per cent.

To anyone over the age of 40, those dates are indelibly engraved on the memory: they represent the Wilson government's years on the cross, the gruelling and ultimately unsuccessful struggle to cope with an overvalued currency. In November 1967, Harold Wilson gave in, and the pound was devalued. By the spring of 1968, real yields were negative.

Then, as now, sterling was

trapped in a fixed-exchange-rate system. Then, as now, the pound appeared over-valued against some currencies; and interest rates had to be kept up to defend it. If the analogy is a relevant one, then one risk is that this time high real yields may last until John Major follows Harold Wilson's example.

There are a couple of important differences between the mid-1960s and now, however, and the events of this week illustrate them nicely. One is that some, at least, of big British manufacturing companies are coping better with this recession than with the slow-downs of previous decades. On Thursday, for example, the engineering group Glynwed reported half-year profits up 48 per cent, even though turnover was lower. If British manufacturers are better able to cope with high interest rates and a possibly overvalued pound than they were 25 years ago, dividend yields may not need to be quite so high as they were then.

A second, perhaps more substantial, difference is that the ERM, unlike Bretton Woods, ties the UK to the D-Mark rather than to the dollar. British interest rates are now set by the Bundesbank, which keeps its attention focused single-mindedly on German inflation. When German inflation is unacceptably high, so are sterling interest rates. Lower German inflation would permit lower German - and British - interest rates, and allow ERM currencies to weaken against the dollar. They would offer John Major's contemporaries the sort of escape from high real yields that Harold Wilson's could only find in a for-

Serious Money

The ghosts of depression

By Philip Coggan, Personal Finance Editor

WORLD stock markets have not had a very happy summer. The continuing decline in the Tokyo market has rekindled fears of a "meltdown" in the Japanese financial sector. European shares have been depressed by the Bundesbank's determination to keep interest rates high.

Some commentators are muttering that the 1930s are repeating themselves, with the big trading nations obsessed with their own problems and failing to take the concerted action needed to shake the world economy out of lethargy. One fund manager who takes a gloomy view is Nils Taube, of Global Asset Management, who says: "I am more depressed than I was earlier this year. I am getting very suspicious of meltdowns in individual areas. We have already had the problems in Japan and we have pretty nearly had a meltdown in Italy."

Deflationary forces are well in place, he adds. "If you measure it in D-mark terms, there has been a real shrinkage in world money supply." Taube is not too impressed by the authorities' ability to solve these problems. "When you had closed economies, it was easy to manipulate a domestic market," he says. "Now, with open economies, it takes concerted international action. Take the US, where reducing interest rates has proved to be like pouring water on sand."

Mark Holwesko, director of research at Templeton International, is worried about the impact of declines in the Japanese real estate market. "The Japanese real estate market was the biggest financial bubble in the history of the world. At its peak, the market was probably valued at between \$16 trillion and \$18 trillion. If it falls in half, that's a loss of \$8 trillion to \$9 trillion, more than the value of every stock market in the world."

Generally, however, Templeton has a stock-picking investment approach and Holwesko says: "We have an over-exposure to the capital goods sector rather than consumer stocks. The consumer is not in good shape round the world but the capital goods sector should benefit from massive infrastructure spending, particularly in Asia. We particularly like US capital goods stocks because American capital goods companies still dominate worldwide markets and currently have the benefit of a low cost of capital."

Indeed, Templeton does not see the US market as overvalued. "Price-earnings ratios may look high but earnings have been distorted by huge write-offs. On more normal earnings numbers, the price-earnings ratio is around 15 to 16, which is not cheap but is not too expensive either." Holwesko says Templeton has been increasing its exposure to the UK market. "Most UK investors take too short-term a view of British companies," he says, focusing on the ability to pay dividends and neglecting the long term potential.

Nick Knight of Nomura thinks that the Japanese market can establish its floor at around 15,000 on the Nikkei index. "The market is beginning to throw up value and the Bank of Japan and other authorities will start to move heaven and earth to support the economy," he says.

"Clearly the US market has done better than most people's expectations, having withstood the collapse of the Japanese equity market. The problem is how it can move higher, and there is significant downside risk. An economic recovery would vindicate investors' earnings expectations but force the Federal Reserve to push up interest rates to appease the bond market; the alternative is that the US slips back into

recession, which ruins earnings forecasts."

In the UK, Knight says the problem has been sterling's position within the Exchange Rate Mechanism, which has caused the corporate sector considerable headaches. He fears that interest rates may rise. As for Europe, Knight feels it is "boring at best. The only hope is a bounceback from oversold positions while we are being strangled by tight German monetary policy."

Ken Inglis, head of investment at Allied Dunbar, also has worries about Japan. "Japanese banks will need a lot of trading out of their current difficulties. There is a concern that they will repatriate foreign assets and one wouldn't want to be long on US treasury bonds if that happened." On Japanese equities, he sees no early signs of relief, believing that any rally in prices will bring forth plenty of sellers.

In Europe, share prices are "hostage to the tensions between Frankfurt and Bonn" as the Bundesbank cracks down on inflation. Inglis says there is a need to watch the difference between the Bundesbank's rhetoric and its actions.

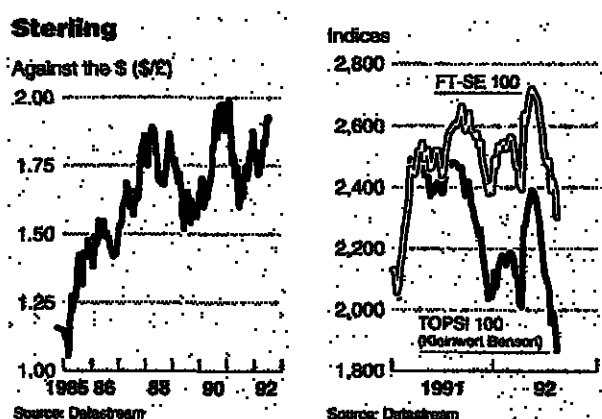
Paul Manduca, chairman of fund management group Touche Remont is more optimistic. "In general, we think there is considerable value in world share prices. We don't think there is a chance of a global meltdown. That only happens when people get over-enthusiastic and become overextended."

"Our only caveat is about the US, where we think share prices are tending to be overvalued, although that position could continue for some time. The UK market obviously needs the shift of an interest rate cut to get it moving. But eventually traders will start looking at next year when German interest rates are going to come down."

HIGHLIGHTS OF THE WEEK

| | Price | Change | 1992 | 1992 | |
|--------------------|--------|---------|--------|--------|-----------------------------------|
| | ytd | on week | High | Low | |
| FT-SE 100 Index | 2356.8 | +8.7 | 2737.8 | 2303.1 | Inflation optimism |
| BAA | 652 | +34 | 703 | 531 | Improved traffic figures |
| BOC | 620 | +24 | 734 | 583 | Defensive attractions |
| Barclays | 295.8d | -20 | 410 | 285 | Ex-dividend/Warburg negative |
| Commercial Union | 477 | +47 | 513 | 402 | Positive response to interim |
| Eurotunnel | 360 | +35 | 486 | 293 | Prospect of dispute settlement |
| General Accident | 440 | +60 | 510 | 356 | Positive response to interim |
| Guinness | 507 | -23 | 644 | 485 | Switching to Grand Met. |
| Leasim | 147 | +15 | 263 | 112 | Takeover rumours |
| Queens Most Houses | 51 | -19 | 92 | 46½ | Disappointing results |
| RTZ | 525 | -30 | 669 | 469 | Dollar weakness |
| Seatchi & Seatchi | 158 | +27 | 245 | 115 | Analysts positive after results |
| Sedgwick | 147 | -18 | 240 | 139 | Concerns over forthcoming results |
| United Biscuits | 294 | -17 | 440 | 294 | Downgrades |
| Williams Hlgs. | 247 | -17 | 379 | 236 | UBS selling |

AT A GLANCE



Dollar slips to year-low

The dollar dipped to a new low for the year this week, when it fell to \$1.55 against £1 sterling in London on Thursday's close. The US Federal Reserve bank and other central banks intervened by buying dollars for D-marks on Tuesday to limit falls against the German currency.

Today's rate is a far cry from February 1985, when the dollar almost reached parity with sterling. It makes the US attractive for British holidaymakers, but those who want to speculate on a dollar recovery should note that US deposit accounts are paying a mere 3 per cent.

Bottom marks for TOPSI

Kleinwort Benson's TOPSI-100 Index is made up of the 100 largest equities with historic yields over 120 per cent of the yield on the FT-All-Share Index. In the past, high yielding shares have often been good performers - but not in the current recession. As the graph shows, the TOPSI Index has substantially lagged the FT-SE 100 since the start of 1991. High yields normally indicate that the market believes a company will have difficulty maintaining its dividend, or even paying any dividend at all. In many cases over the past two years, market fears have been justified.

Murray Johnstone splits fund

Murray Johnstone has split its Far Eastern fund into two, a Japan growth fund and a Pacific growth fund. Existing unitholders have been re-allocated units in both funds at a value equal to their previous single holding. The initial charge on both funds will be 1 per cent, and the annual management charge 1.5 per cent. However, until October 9, those Murray Far Eastern unitholders wishing to make further investments in either of the two funds will receive a 1 per cent discount. During the same period, holders of other Murray Johnstone unit trusts will get a 0.5 per cent discount on investments in either of the two new funds.

Motor insurance offer

First European Finance Corporation is guaranteeing to replace your car under a new motor insurance plan. If your car is new and is stolen or written-off during the next three years, under "Cover Plus", you will be given a new replacement. The policy has to be taken out separately from the motor cover. "Cover Plus" costs £150 for new cars to give three years protection and £150 for cars aged between 6 months and three years. Further details from First European: Freephone 0800-333-678.

Sun Alliance Bond reappears

Sun Alliance is again offering its Capital Protector Bond, a single premium investment bond with a capital back guarantee after the first four years. There are restrictions on income and surrender during the first four years and the cost of providing the protection will hold back growth on the bond if the stock market rises. Minimum investment is £25,000. Those who apply before September 16 will get an enhanced (101.5 per cent) allocation of units - an extra 1 per cent is available to those who invest over £15,000.

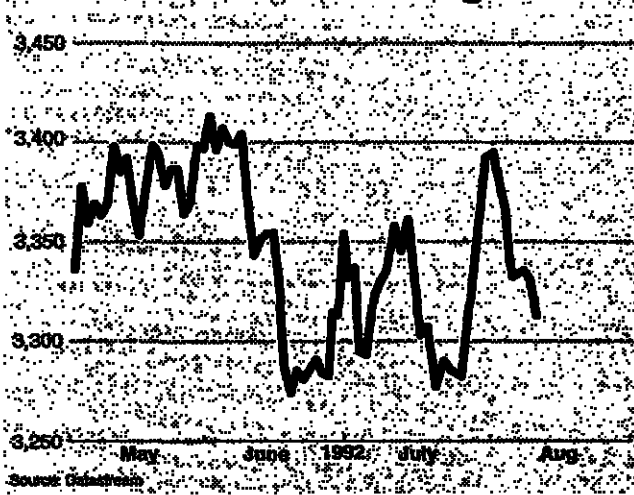
Smaller companies still glum

The decline in smaller company shares has continued this week. The Hoare Govett Index (capital gains version) fell 3 per cent in the week to August 13, while the County Index also dropped 3 per cent to 819.7 over the same period.

Wall Street

Summer doldrums bring chill to New York

Dow Jones Industrial Average



rates with the dollar trading near its all-time low against the D-mark.

Thursday showed just how jittery US financial markets have become during this presidential election season. The big lead in the polls that Democratic nominee Governor Bill Clinton has built up (the latest puts the gap at 18 points) continues to worry the markets.

which believe that a Democrat in the White House will be bad news for the economy, and even worse news for hopes of a lower deficit.

Next week's Republican convention in Houston may provide some temporary relief, assuming Bush receives the "post-convention bounce" in the polls customarily afforded to incumbents and challengers.

If the pre-convention bickering between hard-line conservatives and the more centrist Bush camp is anything to go by, however, Houston could offer more political drama than the organisers may have bargained for. A publicly divided Republican party is the last thing financial markets want.

At least investors had some economic news to cheer this week, although, as always, it came heavily laden with qualifications. Retail sales and industrial production were both up in July, consumer and producer prices barely budged last month, while the latest weekly jobless claims fell sharply.

The 0.5 per cent rise in retail sales, however, was announced alongside a big downward revision of the previous month's estimate of sales. Industrial production rose, but the gain was due almost entirely to a weather-related increase in utility use, and a rebounce in the mining sector following the early summer rail strike. Otherwise, manufacturing output was flat last month. The big drop in new jobless claims was also the result of a one-off fac-

tor - the previous week's figures had been inflated by the temporary closure of some General Motors plants.

Unemployment is unlikely to fall significantly until the big US corporations have completed their post-recession round of restructurings. The latest shake-up came from McDonnell Douglas, the defence and aerospace group, which on Monday announced plans to consolidate its six military contracting units into two divisions, to find a buyer or a partner for its helicopter business, and to close its aircraft parts plant in Ohio.

The news may not have gone down well in Columbus, where 1,000 people will be made redundant, but the restructuring was well received by investors, who rushed to buy McDonnell stock, sending it up 20 per cent to \$43 in four days of hectic trading.

Patrick Harverson

| | | |
|-----------|---------|--------|
| Monday | 3397.66 | +65.40 |
| Tuesday | 3321.10 | -66.48 |
| Wednesday | 3320.83 | -10.27 |
| Thursday | 3313.57 | -7.26 |

The Bottom Line

Big brother casts cloud over water stocks

SOMETHING odd has been happening to your water shares. The 10 privatised water and sewerage companies, which were planned as conservative, almost predictable, investments, have spent the year being anything but.

For one thing, water has been the best-performing sector in the stock market this year, gaining almost 30 per cent relative to the All-Share index. For another, share prices have fluctuated wildly so far this month, rising and falling by several per cent each day.

The gyrations are less mysterious than they appear. But they raise a valid question. After such strong gains, is it not time to take some profits and seek growth elsewhere?

There are two reasons water stocks have performed so well. First, they were oversold ahead of the election on fears of a

Labour victory and possible political interference. When Labour lost, the shares rallied even faster than the market.

Second, as gloom about the economy mounted again during the summer, professional investors switched into water shares for their defensive qualities.

Water companies are affected by recession because businesses go broke and houses go unoccupied. But because they are monopolies, the companies are protected from the downturn. And because of the pricing structure agreed before privatisation, they have been able to raise prices regardless.

They also have the added attraction of guaranteed dividend growth, at least for the next couple of years. The water industry is being asked to invest at least £20bn on water and sewage improvements during the decade. To fund that

investment, higher dividends are needed to keep institutional shareholders happy.

Last year, dividends grew 10 per cent, compared with 3-4 per cent for the market, and similar growth is expected this year.

As a result, water companies' shares are yielding just over 7 per cent, a 25 per cent premium to the market. With other companies, this could be a hint investors expect the dividend to be cut. But with dividends from the water sector secure, and with bigger companies like BP cutting their payments, water stocks still have plenty of supporters.

"If you think the market is motoring ahead, it's probably time to take a profit," says Bill Dale, an analyst at SG Warburg. "But if there's still more bad news to come, it is not time to dump your water shares."

The question mark hanging

over water stocks, however - and a contributory reason for their high yield - is regulatory.

On Thursday, Ian Byatt, director-general of the regulator Ofwat, began a long process of negotiations with the companies which will end in 1994's periodic review of their pricing levels.

The market was worried ahead of his presentation in case he started getting tough on companies, as the gas and telephone regulators have done. In the end, he counselled more on the costs of meeting tough environmental standards and - scarcely addressed - the more sensitive issues of pricing and profit.

Shares in Thames Water fell 7.5 per cent ahead of Byatt, before recovering nearly all the gains once the market realised it was a false alarm. Welsh Water, thought to be at risk from regulatory clampdown,

fell 5 per cent but then clawed back most of the losses. The sector index climbed nearly 4 per cent on Thursday alone.

This kind of market turbulence is likely to become a chronic in the lead-up to the periodic review.

Next month, Byatt releases his thoughts on last year's profits. Next February, companies will submit business plans to Ofwat. The regulator will then discuss, and by 1994 decide, price caps for each company. It will also decide on investment rates of return on investments, and suggest levels of borrowings. Companies' unregulated profits, made in new areas like waste management, will also be reviewed.

It is too early to say what effect the review will have on profits. But the regulatory regime is most likely to get tougher. Companies' E numbers, the amount they can raise prices ahead of inflation,

are likely to be lowered when their interest bills will be rising to pay for new investment. Real dividend growth could fall from about 5 per cent to 1 per cent a year.

Some observers say potential bad news is reflected already in share prices. Others remember that markets defeat uncertainty. Either way, and even if market fears are exaggerated, the sector looks to be heading towards a period of under-performance until these issues are resolved.

If so, the question is one of timing. In the short term, prices will be supported by general economic worries. Investors who switch out of water when there is a general upswing in market confidence will be placed best. Those who do not trust their timing can afford to make good this year's gains and wait.

Angus Foster

FINANCE AND THE FAMILY

The up and down world of savings rates

Investors have faced a rollercoaster ride in the past few weeks. Philip Coggan and Scheherazade Daneshkhu explain what is on offer

SAVERS CAN be forgiven for being confused. Most UK financial institutions seem to be reducing rates at present, with the Halifax and the Alliance & Leicester leading the pack this week. But in the midst of the cuts, the Skipton building society raised its rates, citing the need to keep competitive.

Meanwhile, many commentators believe that interest rates will fall in the 1990s as the world moves into an era of low growth and low inflation. But in the short term, the UK government cannot reduce rates until the Germans do so.

The result is an enormous range of choice for the average saver, depending on how much he wants to invest and for how long. Nor is choosing the highest rates necessarily the best decision.

Often the best returns are offered by some of the smallest names. Some may be doing so because they have lower costs; others may offer high rates because they urgently need to attract funds. While there is no point in risking capital to chase an extra half of a percentage point of interest, it is difficult for the small investor to tell whether an institution is "safe".

There is some comfort in the compensation schemes. Sterling bank deposits are covered up to 75 per cent of the first £20,000, and building society deposits 90 per cent of the first £20,000. A policyholder's protection scheme offers 90 per cent cover (without limit) on insurance company policies such as guaranteed income bonds.

So, with the important caveat of safety, here is a guide to products and rates on offer.

VARIABLE RATES

Instant access
The market is fluid at present and banks and building societies may yet react to this week's changes. Halifax has cut the rate on balances of £500 and above in its Instant Xtra Plus account to 7.15 per cent gross, from 7.5 per cent and, on balances of £25,000 - wary of losing "high net worth" custom-

ers - there is a smaller drop from 8.5 per cent gross to 8.3 per cent.

Alliance & Leicester's rates on its Instant Access account fell from 7.5 per cent gross to 7.3 per cent on £500 and from 8.4 per cent gross to 8.2 per cent on £25,000.

However, savers with £25,000 in Skipton's Sovereign Shares account saw an increase from 9.2 per cent gross to 9.6 per cent gross, although those with £500 saw no increase in the rate of 7.5 per cent gross.

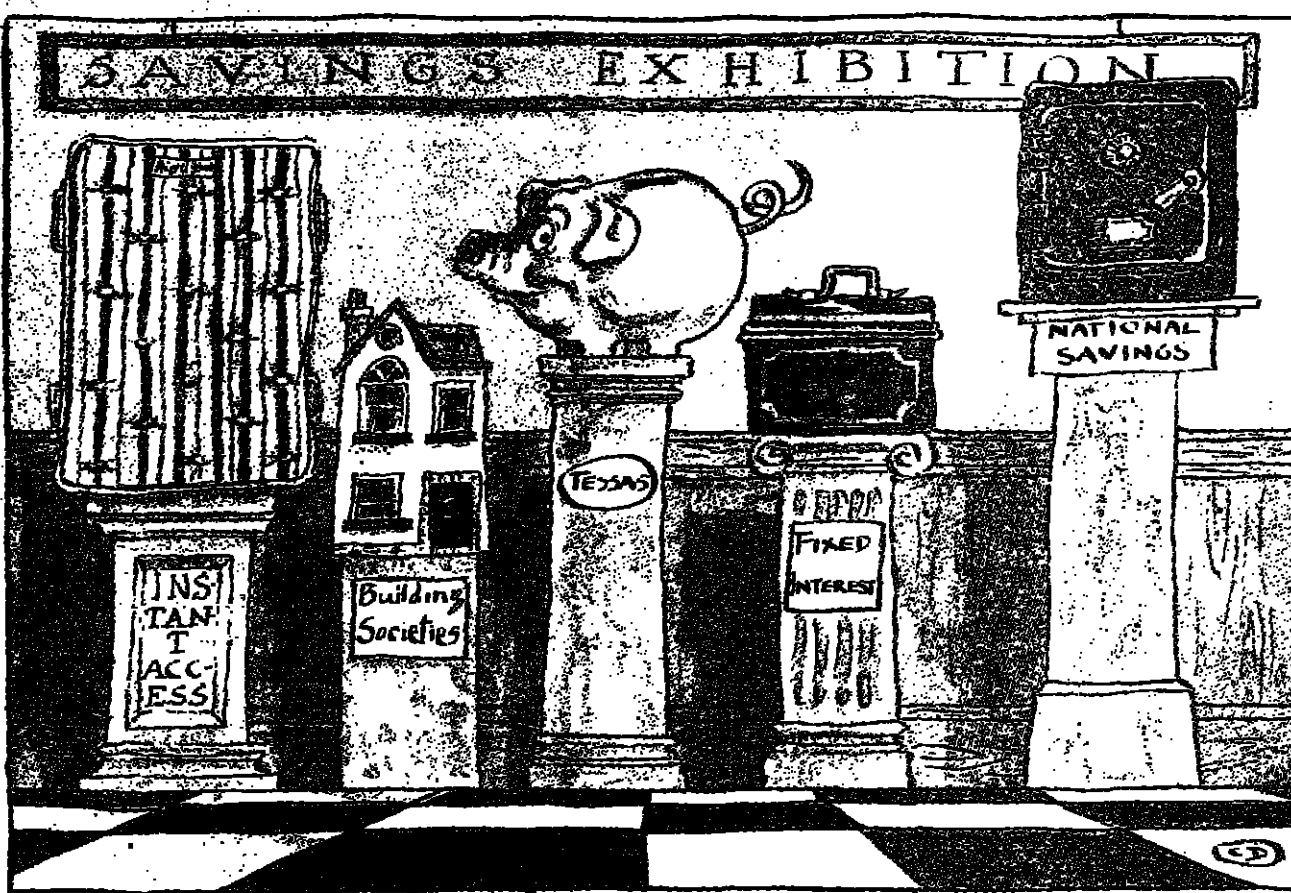
Elsewhere, the highest rates are to be found on postal accounts. Investors are pleased with withdrawal and paying-in slips and deal with the institution by first class post.

On £5,000, Moneyfacts (0893-582103) says the highest rates are being paid by Bristol & West on its Balmoral postal account, with 10.45 per cent. North of England's Edinburgh (postal) account pays 10.25 per cent, while the rate at Norwich & Peterborough on its Postmaster account is 10.05 per cent. You can get 10 per cent gross interest with Cheltenham & Gloucester's London (postal) share account and Scarborough's First Post.

On £25,000, Bristol & West's Balmoral account pays 10.5 per cent. North of England's Edinburgh account pays 10.75 per cent, while the rate at Confederation bank is 10.25 per cent on its Liquidity account. Other high rates are available from Leeds & Holbeck (10.5 per cent) on its Albion postal account and Norwich & Peterborough (10.3 per cent) on the Postmaster account.

Notice accounts
On £5,000, only Allied Trust Bank beats the postal rates, paying 10.91 per cent on its three month notice account; Teachers' building society, which is run from a single office in Dorset to help members of the teaching profession with their mortgages, is paying 10.4 per cent on its Minister 90 (a 90 day notice account).

The highest rates on £25,000 are from Allied Trust, 10.91 per cent; National Counties building society, paying 10.75 per cent on its 90 day notice account; City & Metropolitan



building society, Exeter bank, Julian Hodge bank and Greenwich building society are all paying 10.5 per cent gross. The first is a 60 day notice account, the others are 90 day accounts.

Tessas
Tax Exempt Special Savings Accounts are a five year commitment. Interest is paid tax free subject to the capital being left untouched for the full five years. The annual limits on deposits are £3,000 in the first year and £1,800 in the subsequent four years, subject to a £9,000 ceiling.

Apart from the headline rate, investors should consider other factors. These include the minimum investment required, the effect of bonuses and any penalties involved in transferring to another operator.

Remember that the worst that can happen if you withdraw capital from a Tessa is

that you pay tax on the interest and have to close the account. Since many Tessa rates are higher than savings accounts, the canny saver can open a Tessa even if they are unlikely to last the full five year term.

Allied Trust Bank, which is owned by Barclays Bank, has been paying a consistently high rate, now of 12.68 per cent on its Premier Tessa. However, you need to provide the full £9,000 upfront - the annual limits are put into the Tessa and the rest earns 10.36 per cent gross in a feeder account. Two months notice is required for a transfer, plus an administration fee of £25.

National Counties has offered a consistently competitive rate since Tessas were launched. You have to put in the annual maximums to earn the present rate of 12 per cent.

The notice period is 90 days.

Cash Unit Trusts
These offer money market returns by investing in the deposits of large banks. Rather than paying interest to unit-holders, the value of the units rises steadily as the fund accumulates income.

Current gross rates range between 9.5 and 9.9 per cent; in net terms, this is between 7.125 and 7.275 per cent. An investor who put in £10,000 at the start of the year would expect his holding to be worth about £10,720 at the end. Returns are paid net of basic rate tax, but non-taxpayers can reclaim the tax. Most cash unit trusts have no bid-offer spread; the only charge is an annual management charge which is deducted before the quoted yield.

The advantage of such trusts is that they are likely to offer a return close to money market

rates. There is a slight risk of loss of capital if a cash unit trust invests in a bank which fails, such as BCCI.

The best cash unit trust over the year to August 1, according to Micropal, was Prudential Cash Haven with a net return of 8.33 per cent.

FIXED RATE PRODUCTS

Gills
Gills are bonds issued by the UK government. Most pay a fixed rate of interest, with the exception of index-linked issues where the income rises in line with the Retail Prices Index. Buying a gilt at current prices allows you to lock in a return of between 9 and 10 per cent. If interest rates fall, you will have an above-average income and a modest capital gain; but if rates rise, you will have a below-average income and a capital loss.

Most gills have a face value of 100 and will be repaid at that level (again, index-linked are an exception; their repayment value is linked to the RPI). So, if you buy a gilt priced at under 100 and hold it until it is repaid (the maturity date), you will be certain of a capital gain. Profits on gills are exempt from capital gains tax; income tax is payable on the interest.

However, a gilt trading at below 100 will offer a lower income; whereas if you buy a gilt trading above 100, you will receive a higher running income at the expense of a probable capital loss.

National Savings
The First Option Bond now pays a fixed rate for one year of 7.25 per cent net, equivalent to 9.87 per cent gross on a minimum of £1,000. The rate increases to 7.55 per cent net on £20,000 and above. Interest is paid net of basic rate tax; non-taxpayers can reclaim it.

National Savings certificates are tax-free and are therefore well suited to higher rate taxpayers. The new 38th issue certificates, which go on sale from August 24, will pay 7.5 per cent per annum, if held for five years. The maximum investment has been cut to £5,000 from £7,500, although an additional £10,000 from matured certificates can be reinvested.

A new series B of Capital Bonds, also available from August 24, will pay 10 per cent compound per annum when held for five years. These are particularly suitable for non-taxpayers as interest is paid gross. Taxpayers are liable to pay tax on the accrued interest each year.

Tessas
There are a limited number of fixed rate Tessas on the market. According to Moneyfacts, Britannia is paying the best rate - 10.25 per cent - but you have to find £3,250 for a feeder account. The penalty for early closure or a transfer is 90 days loss of interest; withdrawal of interest is not allowed.

Confederation Bank offers 10 per cent on its fixed-rate Tessa provided you invest £3,250. The transfer or closure penalty is

stiff, with a requirement for a six month notice period and loss of six months' interest. National & Provincial will pay 9.7 per cent on a minimum of £100 in its fixed-rate Tessa. You suffer 180 days loss of interest for early closure or transfer.

Guaranteed income bonds
Buying a GIB involves investing a lump sum with an insurance company for a fixed period, and in return being paid a guaranteed rate of interest. The original sum is returned at the end of the period.

The interest paid is net of basic rate income tax; higher rate taxpayers will normally have to pay the extra 15 per cent. The basic-rate tax cannot be reclaimed, so GIBs are not suitable for non-taxpayers. Interest can be paid at monthly intervals but the highest rates tend to be on those paying annual interest. The rate depends on the amount invested and the length of time the capital is to be tied up, usually one to five years.

Rates are tracked regularly by Baronworth (081-518-1218). The highest rates available on £5,000 this week are: Accumula 7.16 per cent (one year); General Portfolio 6.99 per cent (two years); 7.15 per cent (three years); 7.37 per cent (four years); Illi Samuel 7.6 per cent (five years). Better rates are available on bigger sums - see the table supplied by Moneyfacts on Page V.

Building societies
Most building society fixed-rate investments require a large initial deposit but on £500 you can get 10 per cent gross interest from the Portman building society on its one year Fixed Interest Bond and the same rate at National & Provincial fixed until March 31 1995.

The highest rate on £5,000 is from Chelsea building society which is paying 11.75 per cent gross on its Premier Account III, fixed until October 1. The interest on Woolwich's Premium Investment account is 10.2 per cent gross on £25,000 and 10.5 per cent gross on £50,000. Both rates are fixed until January 1 1993.

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Data source: * BMRB Businessman Survey 1990

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FT 15/8

FINANCE AND THE FAMILY

Mortgage rates pressure eases

But the future for home loans looks uncertain, reports David Barchard

MILLIONS OF property owners in the UK sighed with relief this week on learning that the large building societies have not followed Skipton, the 14th biggest society, by putting up their home loan rates.

Skipton raised its mortgage interest rate from the industry standard of 10.75 per cent to 11.25 per cent on Tuesday, triggering fears of a more widespread increase.

Skipton has only 60,000 borrowers compared with Halifax's 1.8m, and the increase still leaves its rate slightly below most of the centralised lenders. Some small societies have, unnoticed, been charging this rate for several months. Nor is the extra which Skipton customers have to pay particularly onerous - £165 a year on a £40,000 mortgage after tax relief, according to John Goodfellow, Skipton's chief executive.

However, Goodfellow expects other

societies to put their rates up before very much longer. "I simply do not believe it will be possible for them to sustain the present standard mortgage rate until the end of the year."

Goodfellow, and others in the mortgage industry, believe that there may well be a political upset before very long - possibly triggered by an event such as a French "no" vote in the referendum on the Maastricht Treaty - which will lead to a devaluation and a fall in interest rates.

The alarm seems to have reflected two underlying anxieties. One is that even a slight increase in mortgage rates would ruin any lingering chance of an early recovery in the property market, since it would come at precisely the time that stamp duty has been reimposed by the government on house purchases. The other problem is a gut fear among the public of a return to higher interest rates.

With inflation running at the lowest level in many years, the second danger

is not immediate. Most economists argue that real interest rates are much too high and ought to fall rapidly. If that is the case, it may not be sensible to go for the fixed rate mortgage products which looked so attractive a year ago. Anyone now entering the housing market is less likely to need a cap against rates going back up to very high levels, than the ability to take advantage of a fall in rates.

That said, there are still plenty of fixed rates on the market. Long term fixed rates at below 10 per cent seem to be less abundant than many might wish, and the present crop of fixed rates will not look like a good idea if the day comes when the base rate falls to 6 or 7 per cent.

Cheltenham & Gloucester has withdrawn its two year fixed rate at 9.5 per cent and replaced it with a four year fix at 10.75 per cent. It is available for up to 80 per cent of valuation and is fully portable. The application fee is £250 and the early redemption

penalties amount to £250; repayment and interest-only mortgages welcome. Capital Home Loans is offering mortgages fixed at 10.25 per cent for either three years or five years. There is a £250 completion fee and compulsory building insurance. One attraction of this mortgage for the self-employed is that Capital Home Loans is temporarily accepting self-certification of income.

John Charcol, the leading specialist mortgage broker, has set up a reducing mortgage on which interest drops from 9.5 per cent (APR 11.5 per cent) to 8.5 per cent over the first six years of the loan. There is a fairly stiff £200 application fee. Customers who do not take Charcol's buildings and contents insurance pay an extra 0.25 per cent on their mortgage interest rate. There is a six months interest penalty for early redemption.

However, the week's most interesting mortgage deal comes from the Mortgage Corporation, the centralised

lender which has been taking a low profile in the market for most of this year. It is offering new customers £200 towards the cost of their legal fees; £200 towards valuation fees; free insurance against being gazumped; and a free deposit guarantee voucher worth £100. There is also a contribution of £300 to the costs of remortgaging. That said, the TMC mortgage rates are not so different from the rest of the market: 10.4 per cent (APR 11.3 per cent) for four years.

TMC has also set an example to other centralised lenders by lowering its standard variable rate to 10.99 per cent, bringing its APR of 11.5 per cent for existing customers in line with most building society rates.

Most surprising, it is offering a small discount as a bonus to existing customers who have a standard TMC mortgage and who have not missed a payment in three years. Such a bonus would have been unthinkable a few years ago.

The Week Ahead

MONDAY sees interim results from Argos, the catalogue retailer. The figures are hard to forecast as the first half of the year is far less important than the Christmas trading period. There are also costs and losses associated with the new furniture chain. Most estimates are in a range between £5.6m and £5.8m pre-tax, against £10.7m last year. Long awaited annual figures from Baxters, the jewellery retailer, are also expected sometime this week. Since January the group has made a series of statements about the figures for the year to February 1, which are expected to show a loss of £125m pre-tax after forecast exceptional costs relating to rationalisation measures of £38m and likely interest charges of around £27m. More interesting will be reports of the group's talks with the bankers and perhaps, news of a capital restructuring.

BICC, the cables and Balfour Beatty construction group, is likely to announce on Wednesday a pre-tax profit fall of roughly £10m from the £58m in the first half of the last year. It will be whether profits are holding up from the European cables business.

Marley, the building products manufacturer which announces interim on Wednesday, is expected to show a fall in pre-tax profits from £5.3m to about £2m. The bad news should be softened by a maintained interim dividend of 2.1p for the third consecutive year, the company may indicate a cut in the final pay-out.

Renold Group, the environmental services and property care concern, is expected to stay on course for a 20 per cent earnings increase while when it announces its half-year results on Thursday. Forecasts are for about £25m compared with £24.3m. Profits should have been boosted by strong growth from environmental services, which in the past has more than offset the decline in property earnings.

Soft insurance markets in the US and a weak dollar will have depressed Sedgwick and Willis Corroon, the UK's two biggest insurers, which report interim figures on Tuesday and Thursday respectively. Analysts expect pre-tax profits of between £5m and £6m at Sedgwick, compared with £56.3m. Willis's pre-tax profits could fall to between £55m and £66m, from £68.4m.

COMPANY NEWS SUMMARY

| TAKE-OVER BIDS AND MERGERS | | | | | |
|----------------------------|--------------|--------------|---------------|--------------|--------------|
| Company | Value of bid | Market price | Price premium | Value of bid | Value of bid |
| Healey | 171 | 74 | 52 | 30.54 | Crowle (7) |
| JB Pathology | 178 | 170 | 18 | 23.04 | Cowdy |
| Magnetic Materials | 51 | 55 | 55 | 11.18 | TT Group |
| Mandera | 232 | 211 | 237 | 78.28 | Kobon |
| Penny & Giles | 3095 | 350 | 235 | 29.53 | Bonhorne |
| Templeton Grahall | 57 | 250 | 250 | 50.5m | Franklin |
| Time Team TV | 250 | 250 | 254 | 27.90 | Yodanis TV |

All cash offers. Cash alternative. 90p capital not already held. Shareholder. Based on 2.50 pence per share. 14/02/92. 50p share & cash. 5 Starting estimate £3.13 (value per share), £77m (total value).

PRELIMINARY RESULTS

| Company | Year to | Pre-tax profit (£000) | Earnings per share (p) | Dividends per share (p) | |
|------------------------|---------|--------------------------|---------------------------|----------------------------|--------------------|
| Armitage Brothers | May | 851 | (708) | 16.4 (14.2) | 8.0 (5.7) |
| Bellies | May | 8,530 | (7,000) | 35.54 (30.88) | - |
| Benson Hire | Apr | 281 | (54) | (0.87) | 0.1 (3.8) |
| Crocodon Oil | Mar | 45 | (372) | 0.76 (0.98) | - |
| Crown Eyeglass | Mar | 251 | (251) | 18.4 (11.2) | 6.0 (3.5) |
| Flangeone | Jun | 2,500 | (594) | 1 | - |
| Howard Holdings | Apr | 813 | (484) | 1 | (0.5) (0.5) |
| Howe Newman | Apr | 980 | (1,070) | (-) | (-) |
| Ogilvy & Butler | Mar | 277 | (372) | 2.30 | (-) |
| Practical Investment | May | 1,010 | (988) | 5.07 (4.68) | 4.31 (3.97) |
| Reynolds | Mar | 931 | (1,000) | 4.36 (4.75) | 1.75 (2.25) |
| Save & Prosper Limited | Jun | 3,320 | (3,320) | 47.43 (47.38) | 47.4 (47.4) |
| SEET | Apr | 680 | (1,290) | 1 | (-) |
| Shaw Selective Gm. | Mar | 35 | (35) | (-) | (1.2) 0.25 |
| Specialist Comp. Ltd. | Mar | 5,030 | (5,030) | (-) | (-) |
| Standard Platform Hld. | Mar | 847 | (594) | 1 | (-) |
| West Trust | Mar | 113 | (458) | (-) | (0.79) 0.25 (0.25) |
| Wholesale Filings | Apr | 2,510 | (4,250) | 11.7 (19.7) | 11.7 (16.02) |

INTERIM STATEMENTS

| Company | Half-year to | Pre-tax profit (£000) | Intrinsic dividends* per share (p) | Dividends* per share (p) |
|------------------------|--------------|-----------------------|------------------------------------|--------------------------|
| Anglo | Jun | 13,500 | (31,300) | 1.375 (2.75) |
| Assoc. Fisheries | Jun | 1,330 | (714) | 1.0 (1.0) |
| Ayrshire Steel | Jun | 115 | (41) | - (-) |
| Benson Crisp | May | 191 | (312) | 0.7 (0.7) |
| Blagden Industries | Jun | 6,000 | (5,400) | 4.5 (4.5) |
| British Airways | Jun | 91,000 | (9,000) | - (-) |
| Commercial Union | Jun | 18,100 | (26,300) | 1.25 (1.25) |
| Embassy Property | Sep | 2,400 | (1) | - (-) |
| F & C Investment | Jun | 15,500 | (14,000) | 1.12 (1.07) |
| Fairway Group | Jun | 666 | (665) | 1.0 (1.0) |
| General Accident | Jun | 21,200 | (105,000) | 9.7 (9.7) |
| Glynedd | Jun | 15,400 | (10,400) | 4.15 (4.15) |
| Harman | Jun | 27,000 | (27,000) | 2.75 (2.75) |
| Haywards Group | Jun | 886 | (4,500) | 1.0 (1.0) |
| Haywood Williams | Jun | 5,100 | (8,100) | 4.5 (4.5) |
| Huntingdon Int. | Jun | 3,220 | (4,800) | - (-) |
| Johnson Grp Clean. | Jun | 7,910 | (6,200) | 7.0 (7.0) |
| Kleinwort Overseas | Jun | 1,540 | (1,530) | 5.1 (5.1) |
| Manchester Ship Can. | Jun | 7,810 | (4,780) | - (-) |
| Metal Bulletin | Jun | 711 | (595) | 2.7 (2.4) |
| Moorfield Estates | Apr | 774 | (578) | 1 (-) |
| New Ireland Hgds. | Jun | 2,830 | (2,850) | 3.3 (3.3) |
| Nichols (J) (H) (Vint) | Jun | 3,530 | (5,200) | 5.1 (4.8) |
| North Midlands Com. | Jun | 54 | (452) | 0.3 (0.5) |
| Queens Most Houses | Jul | 36,100 | (36,200) | 1.385 (1.342) |
| Raw Brothers | Jun | 284 | (402) | 0.25 (0.25) |
| Ridgway Group | Jun | 1,500 | (1,750) | 1.75 (1.75) |
| Richardson Wigham | Jun | 1,030 | (578) | 1.25 (1.2) |
| Royal Insurance | Jun | 79,000 | (97,000) | 2.0 (2.125) |
| Satchell & Satchell | Jun | 11,100 | (32,000) | - (-) |
| Sea Containers | Jun | 13,500 | (15,800) | 1 (-) |
| Secon Holdings | Mar | 1,050 | (1,050) | 2.1 (1.8) |
| Shawbank Property | Sep | 19 | (83) | 1.0 (0.1) |
| Sothebys Holdings | Jun | 16,400 | (17,700) | 16.0 (15.0) |
| Takara | Jun | 5,630 | (2,900) | 0.8 (0.5) |
| Talbot Oil | Jun | 2,080 | (84) | - (-) |
| Telford | Jun | 888,000 | (900,000) | - (-) |
| Ward Holdings | Apr | 1,800 | (597) | 1 (-) |
| WPP Group | Jun | 7,820 | (16,000) | - (-) |
| Young Group | May | (3,800) | (756) | - (2.8) |

(Figures in parentheses are for the corresponding period.) Dividends are shown net of tax, except where otherwise indicated. L = Loss, S = Profit, N = Nil, P = Nine month figures, W = Three month figures, Y = Net Revenue, \$ = American Dollars, \$ = 3 quarter figures.

RIGHTS ISSUES

Angle is to raise £10.75m via a rights issue of convertible stock earning 5.67%, and convertible into shares at 55p.

RESULTS DUE

| Company | Announcement Date | Dividend (p) | | |
|--------------------------------|----------------------|--------------|-------|-----------|
| | | Last year | | This year |
| | | Int. | Final | Int. |
| FINAL DIVIDENDS | | | | |
| Baluchack | Thursday | - | - | - |
| De Morgan Group | Wednesday | - | - | - |
| ETI Group | Thursday | - | - | - |
| Healey Currency Fund | Wednesday | - | - | - |
| Healey (Savings) | Monday | 1.5 | 4.0 | 1.5 |
| Healey (Hedge) | Tuesday | - | - | - |
| Joe Holdings | Wednesday | 1.125 | 4.375 | 1.75 |
| Loversett | Friday | - | - | - |
| Moffat Securities | Wednesday | 3.0 | 3.4 | 3.2 |
| Pine Ridge | Tuesday | 3.5 | 4.25 | 3.5 |
| US Smelter Co's Inv. Tr. | Monday | - | - | - |
| INTERIM DIVIDENDS | | | | |
| ACA | Wednesday | - | - | - |
| Alliance Trust | Monday | 14.0 | 29.0 | - |
| Argus | Monday | 2.1 | 4.3 | - |
| Balfour (William) | Tuesday | - | - | - |
| BICC | Wednesday | 6.0 | 13.25 | - |
| BPI Holdings | Wednesday | 2.4 | 4.5 | - |
| Beaumont Resources | Thursday | - | - | - |
| Braden Properties | Wednesday | - | - | - |
| Brassic Assurance | Wednesday | 9.2 | 20.3 | - |
| Burling Group | Thursday | - | - | - |
| City Centre Researched | Tuesday | 0.45 | 1.01 | - |
| City Centre High Yield | Wednesday | 1.25 | 2.0 | - |
| Clarke Tr | Tuesday | 1.25 | 2.0 | - |
| CSC Investment Trust | Tuesday | 2.0 | 3.0 | - |
| Devenport | Thursday | - | - | - |
| Dunsmuir Income Growth Inc Ltd | Wednesday | 8.4 | 17.0 | - |
| Esquimal International | Thursday | 4.15 | 6.2 | - |
| Flamingo Investment Trust | Thursday | - | - | - |
| Flamingo Interests | Tuesday | 1.5 | 1.675 | - |
| FTI Global Growth Fund | Tuesday | - | - | - |
| Hudson Income Fund | Tuesday | 2.85 | 5.15 | - |
| John Kenneth Kelang Rubber | Monday | - | - | - |
| Lyons | Thursday | 1.00 | 2.00 | - |
| Investigation Distillers | Thursday | 1.5 | 3.0 | - |
| Kada International | Thursday | 1.0 | 3.0 | - |
| ICC Holdings | Thursday | 4.0 | 10.5 | - |
| Lowe (Robert H) | Tuesday | - | - | - |
| Martin | Wednesday | 2.1 | 4.25 | - |
| McAlpine (Alfred) | Wednesday | 4.5 | 5.5 | - |
| M & G Income Investment Trust | Wednesday | - | - | - |
| Micro Finance Group | Monday | - | - | - |
| Pinebrook | Monday | 1.0 | 1.5 | - |
| Quicks Group | Tuesday | 1.5 | 2.0 | - |
| Rennell Group | Thursday | 1.55 | 1.55 | - |
| Sainsbury Group | Tuesday | 4.0 | 8.0 | - |
| Seaspray | Wednesday | - | - | - |
| Shore Group Holdings | Thursday | 2.4 | 2.4 | - |
| Victoria | Wednesday | 4.7 | 70.0 | - |
| Wyndale Services Centre | Thursday | 2.45 | 1.24 | - |

PROPERTY

Lashings of Lutyens for country house buyers

BUYERS of Lutyens properties are spoiled for choice. Never before have so many works by England's greatest architect of country houses (Sir Edwin Lutyens, 1869-1944) been on the market.

In recent decades, one or two Lutyens properties came on to the market annually. But now at least 16 are on sale, and five more can be rented. These include his first country house, Crooksbury, near Tilford, Surrey - or at least the major portion of it.

The Tudor-style house, built in 1680, was later extended, and then, in 1970, divided into six units, while the entrance lodge and gardeners' cottage were sold off separately.

Since then, a buyer of part of Crooksbury has pieced together four of the other parts and 15 acres of mature gardens, which were landscaped originally by Gertrude Jekyll. All this is now for sale at £1.25m through Aylestford (tel. 071-851-2388). There is a prospect that the remaining part of the main house might become available one day.

Two parts of another early Lutyens house, in Surrey, also with Jekyll gardens, have come on to the

market, Chintbury Hill, near Wokingham, was built in 1888-95 and split into three in 1964.

Although the main part of the house is not for sale, a five-bedroom portion called Close House is being offered with seven acres at £245,000 through Browns of Guildford (0443-31166), while the four-bedroom Gate House, with 4.5 acres, is priced at £250,000 by

Never before have so many been on the market, reports Michael Hanson

Hamptons of Guildford (0443-572-884).

For a complete Lutyens house in Surrey, you have to look to Fulbrook House, near Egham. Built in 1896-99, it has been restored fully in recent years by John Morris of Thorne-Stor, who is looking for offers over £2.5m for the property through Hamptons at Guildford.

Unfortunately, there is no evidence that Jekyll designed the 21 acres of beautiful gardens, although she might have advised Lutyens on the planting.

On the outskirts of East Grinstead, West Sussex, however, is Barton St Mary, an eight-bedroom

house that Lutyens built in 1906 for stockbroker Sir George Munro Miller. It has 20 acres of gardens for which Jekyll's plans survive (in California). Offers over £1m are being sought by Hamptons at Sevenoaks (0783-460-222).

Marsh Court, a Grade I-listed 20-bedroom Lutyens house near Stockbridge, Hampshire, with 47 acres of Jekyll gardens, has been on the

For sale with 17.5 acres of Jekyll gardens, offers of £1.5m are being sought by Hamptons Giddy & Giddy (0628-663-596) and Weatherall Green & Smith (071-405-8944). The agents are acting jointly for Arthur Andersen, the receiver of Land Leisure which had planned to turn the property into a health hydro.

Planning permission has been given for the Manor House at Ashby St Ledgers, Northamptonshire, to become a hotel with a new 120-bedroom extension. Once the home of Robert Catesby, one of Guy Fawkes' gunpowder plotters, it was bought in 1903 by Lord Wimborne. Lutyens then altered and extended the 13-bedroom house over the next 35 years. It has been owned since 1989 by a Kidderminster property company, Maltwood (0562-66884), which is seeking £2.5m for it.

Yet, £800,000 would buy Gledstone Hall near Skipton, North Yorkshire, which is regarded generally as one of Lutyens' finest classical houses with 10 acres of formal gardens by Jekyll. Built in 1922-25 for a cotton mill-owner, Sir Amos Nelson, it was run as a nursing home by Burley Health Care until March this year, and is now for sale through the Leeds office of Knight



Barton St Mary, near East Grinstead in Sussex, built by Lutyens in 1906, is for sale at around £1m

Frank & Rutley (0532-461-533) and J.E. Jackson & Co. (0423-323-171).

The cheapest genuine Lutyens house on the market (there are always some claimed wrongly to be by the master) is the four-bedroom South Sussex Lodge, one of a pair designed by him in 1890 at the entrance to the Park Hatch estate near Hascombe, Surrey. Both lodges were paid for with prize

money won by Joseph Godman for his Sussex cattle - a staggering thought when one lodge is now for sale at £178,500 by Hamptons Messenger May of Godalming (0488-417-222).

There is no room to mention all the other Lutyens houses on the market but it should not be thought they are unsaleable. A buyer has paid almost £1m for the

Salutation, a beautiful house at Sandwich, Kent, designed in 1912 with 3.5 acres of Jekyll gardens.

Nigel Colebrook, of agent Colebrook Sturrock & Co., says: "Only a handful of properties in this price bracket have been sold in the south-east in the past 12 months, and we received more than 100 enquiries and nine offers for this exceptional property."

HOUSE prices in the south-west have fallen by 40 per cent from the 1988 peak, and the decline appears to be steepening. According to the Halifax building society, average prices in the region in the second quarter of this year were 8.5 per cent lower than a year earlier. The equivalent figure for the first quarter was 7.1 per cent.

Only in Greater London and the south-east did prices fall more steeply. Since those two regions still provide many potential buyers for West Country properties, the outlook is for more torpor.

Most agree that much depends on the confidence of first-time buyers. In Burnham-on-Sea, Somerset, where holiday flats now begin as low as £18,000, Paul Gass of Abbott & Frost says first-timers in the £35,000-40,000 range are the most active. "Two- and three-bedroom semi-detached and two-bedroom

Price slump savages West Country

But John Worrall discovers that it's not all gloom, doom and inertia in deepest Somerset

detached houses are moving and the retirement market has also reawakened over the past three or four months, with some inward movement notably from West Midlands and the Home Counties."

But at Castle Carey in the central east of the county, 50 minutes from London by rail, agent Sue Bradley-Hudson says houses costing between £100,000 and £130,000 are selling best. "Part of the problem is that some properties are offered at too high a price in the first place and then have to be reduced. Buyers, having seen many reductions, become reluctant to sign a contract in case they see a better deal next week."

At Ilminster, in the south of the county - a stepping-off point for holiday-makers heading for Devon and Cornwall - Andrew Hale of agent Lawrence Hale says about half of the buyers this year have come from outside the area. "There has been a rise in activity insofar as we have been selling more than we have been taking on since the election. That has led to certain shortages. Cottage properties up to, say, £100,000 and good bungalows are extremely scarce."

"The problem is that although some people want to trade down and raise some capital, they feel that they might pocket more money when the differential is greater.

Others simply cannot grasp the fact that property values have come down."

Hale says the Ilminster market starts at £25,000 for a studio or one-bedroom flat and most activity is centred on sales at less than £30,000. Second-home buyers looking for small cottages can get particularly good value, with two bedrooms available at not much above £40,000.

"In 1988, we could sell a one-bedroom house at £46,000-48,000 but we would be hard pressed to achieve £30,000 today," Hale adds. Semi-detached houses are the same, down from perhaps £75,000 then to £50,000 now.

At the higher levels there is, if

anything, even more inertia and some appropriately brave faces. Robin Thomas, from the Exeter office of Strutt & Parker, says prices are down by 45-50 per cent from their peak of late 1988 and early 1989.

According to agent Michael Waite, of Sherborne, cash buyers are being cautious in a soft market. He is, however, getting strong interest in Heale House, a nine-bedroom property set in nine acres at Curry Rivel to the east of Taunton which is available at a guide price of £430,000. Part of the house dates from 1820 and, he says, a number of inquiries has come from the Home Counties.

A similar pattern of inquiries is reported by Strutt & Parker for Brompton d'Everey, a Grade I-listed house in 25 acres two miles from Yeovil offered at a guide of £850,000. For another £500,000, a buyer would get the surrounding 470-acre farm.

Humberts' Taunton office recently sold Glebe Court, a Georgian house at West Monkton three miles north of the county town, where about £500,000 was paid by a buyer moving out of London.

Humberts' Richard Pawson has noted a slight increase in activity in the lower market levels prompted by the imminent return of stamp duty. But despite some other successes this year, he sees little direct

cause for wild optimism. "Volume is fairly low across the market and vendors have to encourage interest. Prices, more than ever, have to be realistic."

For those seeking it, though, there is perhaps a little good news, even if it is open to interpretation.

Knight Frank & Rutley International has seen an increase recently in overseas interest in the upper levels of the market, notably in Stavordale Priory in Charlton Musgrove, on offer at £1.6m.

According to Michael de Pelet, of the Sherborne office, inquiries on this and other properties - such as Burford House at Pilton, available at £375,000 - have come from as far afield as Hong Kong and the Cayman Islands.

If you accept that investors from such places are well practiced in using their money to the greatest effect, it could just be a sign that the UK market really has bottomed out.

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COUNTRY PROPERTY

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PERSPECTIVES

A heavyweight of the Basque stones

THE BASQUE pavement artists draw just one living person. Not a politician or pop star. Nor Basque Miguel Indurain, winner of cycling's Tour de France in 1991 and 1992. The immensely powerful figure that looms between the religious scenes and Moma Lines is that of another Basque, Inaki Perurena, holder of the world's most outstanding lifting record.

Perurena lifts in the Basque style and is therefore comparatively little known internationally, but the style of lifting - raising traditional, carefully cut stones from the ground to the shoulder with most competitions decided by repetitions in a tight time schedule - in no way lessens Perurena's achievements.

Basque lifting is a demanding, ancient sport, much older than orthodox weightlifting, closely supervised and widely followed: in summer, 50 and more competitions can take place on the same day.

Perurena's achievements stretch credulity: supreme records, unbeatable for 15 years and for nearly as long, as a direct result of his dominance, without direct competition; one of the few both to have revolutionised the technique and training.

What puts Perurena ahead of Indurain is the fact that he has given more than 5,000 demonstrations, sometimes two or three a day, in just about every Basque town and village (as well as in the US, Argentina, Japan, France, Germany and Italy), usually as the highlight of a programme of Basque traditional sports.

Perurena is a modest, at times, almost shy man, but well aware of his achievements. He is serious-faced, but with a deep chuckle never far away. He can show exas-

David Henderson on Inaki Perurena, superstar of an ancient sport

talking to his driver, unsmiling. The second adjective was cat-like. He walked from the van towards a group of other competitors, then grinned and suddenly leapt a pile of logs to join them.

Perurena's power needs time to sink in. His two-handed record for the rectangular stone (from the ground to the shoulder) is 315 kilograms, more than half the weight of a small van. His one-handed record is 285kg.

When the American powerlifter Dwayne Selly bench pressed 300kg and the Belarussian weightlifter Leonid Taranenko - the silver medalist in the superheavyweight class in Barcelona - clean and jerked 265kg for world records in their disciplines, they each made the lifts once. When Inaki Perurena first lifted 300 kilos he raised the stone three times in the allotted four minutes. Had his third lift not

almost sent the stone clean over his shoulder he would have achieved a fourth repetition. Only supreme strength and skill saved him from serious injury.

Perurena met with reserve when he decided that a lifting technique used for over 200 years was unsatisfactory, and changed it. He also adapted the weight training methods of orthodox lifters. Until then, Basque lifters had trained principally on hill walking and hearty eating. More weight, so they reckoned, equalled more power.

Perurena is not perfect (and would hate to be portrayed as such). Among other things, he is not king of the small stones - in Basque lifting, stones up to 200 kilos are classified, with deadpan nonchalance, as small. He is also less than perfect at subterfuge.

His strong-willed father, once a top aikolari (log cutter with an axe) wanted Inaki to follow in his footsteps. For a while Perurena cut logs by day and lifted by night. Inevitably he was caught. His love affair with his wife, Mayte, almost never started. She was not certain that she wanted a flashy (as she then saw him) sportsman husband. Her parents were certain that they did not want such a son-in-law. When Perurena finally persuaded Mayte to meet him in a neighbouring village they were seen within minutes.

Perurena learned about gamesmanship the hard way. Early in his career, he accepted a challenge match, the hard edge of Basque traditional sport, went into strict training, and just happened to meet a member of the other camp in his favourite bar. "Our man thinks he can beat you without training. He's drinking too much. I've lost money I haven't got," was the morose mes-

sage. Perurena also began to spend more time in bars. When he arrived for the match he found an opponent in peak condition, and lost.

For someone who has given over 5,000 demonstrations, Perurena's firm, "I am not a professional," at first seems illogical. He earns a good living from his exhibitions. He could, though make a lot more. But he has never had to lift to live. Years ago he opened a butcher's shop as insurance against sickness or injury, then added an equally successful livestock business.

Perurena is 35, he will continue to give demonstrations, but an era has ended. "A man cannot break



Rock star: Inaki Perurena has lifted stones weighing 315kg

records for ever", is how he recently acknowledged that commitments elsewhere mean that he can no longer undertake the training necessary to attack his own records.

One wonders if Perurena is not secretly glad to have escaped the treadmill of expectation that 15 years of record breaking have created. He is unlikely to say, but his reputation, his near immortality in the Basque country was assured long ago. Indurain can continue to outride everybody else. But for the foreseeable future, the shrewd men of Basque art will continue to draw just the one living person. It is a unique hall of fame.

What They Say in Europe
War and peace

NEW CRISES create new reputations, yet old images take time to fade. The *Berliner Zeitung* was thinking along these lines in looking at the ramifications of the Bosnian crisis.

"The cliché of the ugly German is widespread among other peoples. It has, unfortunately, been formed by the experience our neighbours have had of us. But one sits up and listens when, almost overnight, the leaders of opinion in the US - where mistrust runs deep because of the holocaust - point to Germany as the example to follow. One rejoices all the more because the metamorphosis of the German image is linked to a humanitarian question, the Bosnian refugee tragedy."

The EZ had no great hopes that the new image would prove durable. On the other hand the Serbs will have problems in overcoming their new reputation. People like myself who had worked in Serbia before the present horrors usually found the natives a cheery bunch with whom one could enjoy a few laughs and more than a few drinks. Today they are known as the originators of "ethnic cleansing." This ghastly euphemism translates into every known language and has helped ensure that no cartoonist can attempt a picture of a Serb without making him a wild-eyed fanatic.

As a result history is being revised: references to Sarajevo naturally recall that that was where the First World War started; today the implication is that the Serbs started it - but then Serbia never had much of an image anyway.

Reputations have become fantastically volatile. Until recently in much of Europe, the average Spaniard was seen as a feckless poseur, either attempting to entertain the foreign ladies who asstivate on local

shores or a well-born layabout who can hardly afford a shirt but always sports a flashy cloak.

Today, after the Olympics, Spaniards, or do I mean Catalans, are seen in a different light - purveyors of efficiency with a human face. The Italians have revised their opinion: in *Corriere della Sera*, Cesare Fiumi unwittingly reworked the traditional Spanish toast - health, money and love! - "Pesetas, practice, preparations. Spain in three words." The *Frankfurter Allgemeine Zeitung*, exclaimed, "The city of Barcelona is the great victor of these Games." The French sports paper, *L'Equipe* was more cautious: "It may well be that one of the great victors of these Games is called Spain."

The previous week *France-Soir* had paid the ultimate compliment - the record haul of French medals could be attributed to the hosts and was a contrast with French failures at Seoul. "Now, near to their base, in a familiar country, the family at hand, the frontier nearby, with no time change, their minds not elsewhere - the French competitors can concentrate on their objectives and refine their preparations. On the evidence, the Barcelona Games inspire them. The food there is abundant and appetising. Just enough of those snags one needs to feel in a human environment. In fact the French have been taken for foreigners. They need their comforts to feel at home."

So, by the time it was all over the Spaniards knew they had won. The headline in *El Pais* was: "Barcelona ends the 'best games in history' with 22 Spanish medals."

James Morgan

James Morgan is the diplomatic correspondent of the BBC World Service.

FOOD

Cookery/Philippa Davenport

All white on the night

SUMMER brings its own problems for the cook. The sun shines and menus cruise merrily on a greedy wave of simple foods sauced with such classics as mayonnaise, hollandaise and avgolemono, before you wake up to the fact that the fridge is filling up with leftover egg whites.

Why is it, I wonder, that the discovery of them acts as an instant memory wipe? The mind goes as blank as a computer screen when the electricity is cut. All recollection of recipes that use more egg whites than yolks is deleted, and the cook is left grappling feebly with the temptation to chuck all that slippery albumen down the sink.

For such occasions here is an aide-memoire to pin on to the kitchen noticeboard, a reminder of a few good ways to employ a leftover egg white -

souffle contains, the higher it towers.

ANGELCAKE

This looks very pretty lightly dusted with icing sugar and garlanded with sweet geranium leaves. Serve with it a bowl piled high with fresh berries and a sauce jug of sieved and lightly sweetened berry puree - say a mixture of blackberries and blueberries, or mulberries when they come into season. A featherlight angelcake depends on handling the ingredients very lightly and quickly.

1 oz cornflour; 3 oz plain flour; a good pinch of salt; 10 egg whites; 1/4 lb vanilla or caster sugar; the finely grated zest of 3 oranges; 1 tablespoon lemon juice; 1 tablespoon hot water; 1 teaspoon cream of tartar.

You will need an angelcake pan* or similar mould about 8 1/2 in diameter across the base, 10 in across the top and 4 in deep with a central funnel and removable base. Be sure it is absolutely greaseless.

Sift both flours into a bowl. Add the salt and about one-third of the sugar and sift the combined ingredients at least twice more, lifting the sieve high above the bowl to aerate the mixture as much as possible.

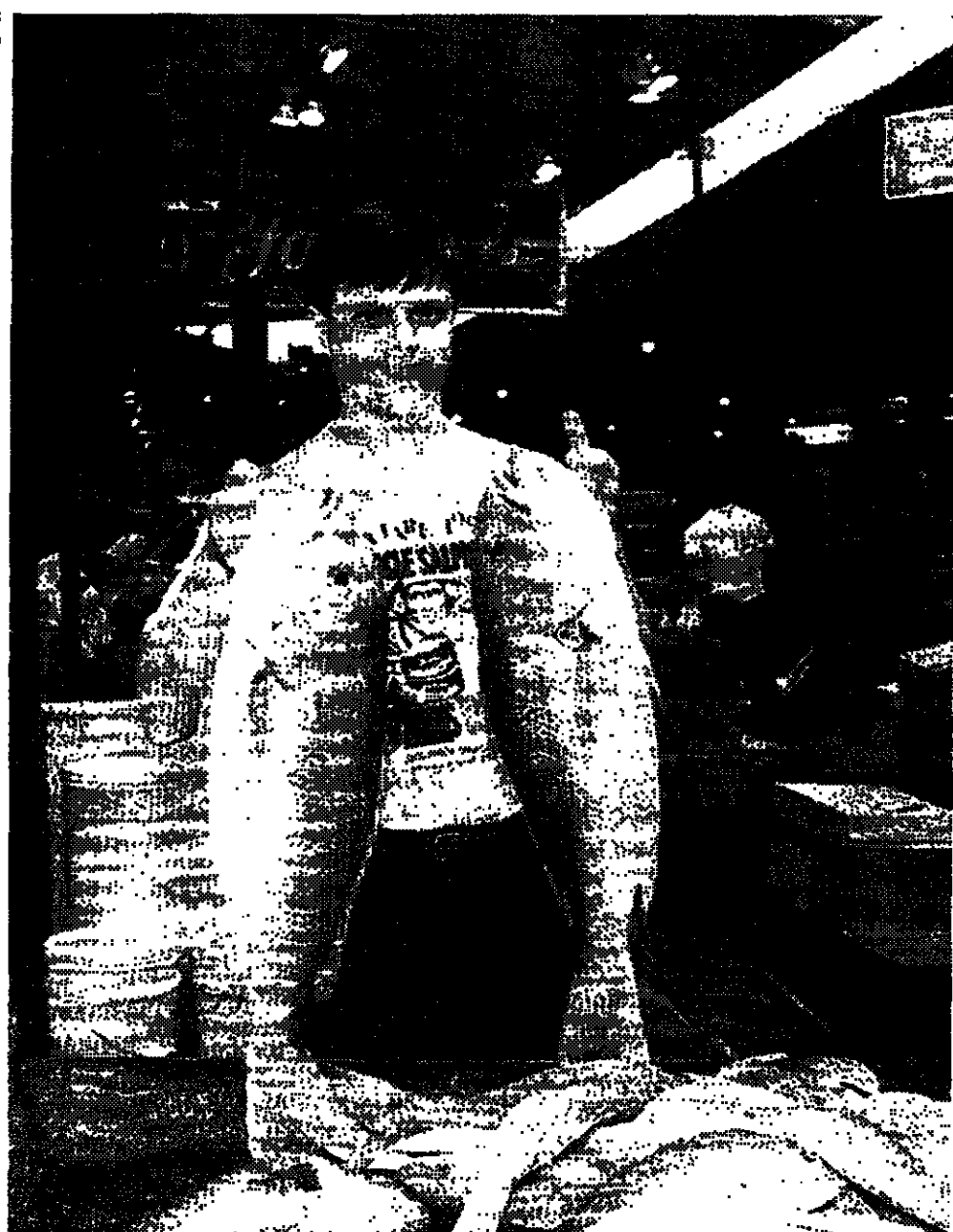
Divide the egg whites, lemon juice and water between your two largest mixing bowls. Whisk the contents of one until foamy, add half the cream of tartar and whisk again until the egg whites stand in stiff peaks. Use a balloon or rotary whisk, not an electric one, for maximum volume. Whisk the contents of the second bowl in the same way, then tip the contents of the first bowl into the second.

Sift and whisk in the remaining sugar, a spoonful at a time, adding the citrus zest at the end. Then sift and fold in the flour mixture delicately yet thoroughly, a little at a time.

Turn the mixture into the mould. Draw a knife through the mixture to release any large air pockets, and level the surface. Bake at 350°F (180°C) for 45 minutes or until the surface of the cake feels firm and springs back when lightly pressed.

Invert the tin on to a cooling rack and leave for 1 1/2 hours or until the cake is completely cold before lifting off the mould.

*Angelcake pans are usually available from Copperstones, 42a High Street, Marlborough, Wiltshire SN8 1HQ (tel: 0672-515074, fax: 0672-512960). This enterprising kitchenware shop hires out, as well as sells, a good selection of specialist cookware including raised pie moulds, fish kettles and cake tins. Mail order available.



Richard Lord in the Fulton Fish Market, New York

New York greets a dab hand with fish

Nicholas Lander meets expat Englishman Richard Lord, a true fan of all things piscine

WHEN New Yorkers finally appreciate the pleasures of eating fresh fish, and when most of the world's 28,000 different species of fish are classified for their taste as well as their bone structure, a big vote of thanks will be due to Englishman Richard Lord and his encounter with an article in the *Financial Times*.

Lord, now 33, recalls the occasion. Driving on holiday to Cornwall - parents in the front, children, bored, in the back - Lord handed his son an article on aquaculture telling him flippanantly that it might provide him with a future.

Lord junior was hooked. At school he did a field project on aquaculture and spent his summer holidays working on a trout farm. When his mother, Shirley Lord, moved to America to work, Lord turned his attention to the waters off Alaska and then enrolled on the fisheries programme at Humboldt State University in northern California.

He confesses to not having been the university's best student but Lord's enthusiasm and love of fish, as well as a phenomenal memory for fish minutiae, may prove even more valuable. During the two hours I spent listening to him, the facts never stopped. Did I

know that there are 385 species of grouper? That the butterfly fish, particularly prized among the West Indian community, passes through three colour phases in its life (from red to yellow to brown), or that the male parrot fish is an hermaphrodite?

Lord knows the answers because, after leaving California, he moved to New York and became information officer for the Fulton Fish Market, New York's biggest and oldest. He worked with importers and wholesalers, with the Chinese, Koreans and Japanese who buy for their shops and restaurants, and with those of Indian, Spanish and South American origin who buy fish in a big way to eat at home.

Wholesalers would acknowledge his expertise and come to him with unusual fish. Only the salary, \$13,000 (\$8,800 per annum), brought this enjoyable episode to a close. Lord is now hoping to produce an encyclopedia of seafood. He has catalogued and eaten more than 1,000 species of fish. Any unusual specimen quickly finds its way into his apartment where he photographs it, fillets it, examines its bones, analyses its skin and texture and finally cooks and eats it.

Lord handles the skeleton on to the manager of the fish collection at the American

Museum of Natural History. No part of any fish is wasted. Being in New York has been a great advantage, says Lord. The city's cosmopolitan nature, high standard of living and its citizens' willingness to pay high prices for top quality fish have made his work interesting. So, too, has New York's geographical position. Whereas the top fish markets to Europe - Paris, Madrid and London - and pursue stock from Mediterranean and Atlantic waters and increasingly from those around Africa, New York draws its fish from Canada, the Pacific and from South America.

Tuna from Ecuador, black grouper from Venezuela, long fin pomfret from the coast of Hawaii and mahi mahi from Hawaii are now as common as cod, halibut or Dover sole to Lord.

Lord hopes to broaden his knowledge so that he can bring buyers and sellers of fish together from Europe and America and pursue a writing career for trade magazines. With his eye for detail he should succeed. As we shared a taxi downtown he spotted a van, delivering fish to a New York restaurant. Within seconds his pen and notebook were out taking their details.

Smoke over the Irish sea

DINISH ISLAND is a few miles off the coast of Kerry: not far from those grim Skellig Rocks where Irish monks kept European civilisation warm during the most sombre moments of the Dark Ages.

Our lifeboat had come to a halt some 100 yards from the Irish shore and we had transferred to a dinghy for the rest of the journey. The boat went aground on the soft, yellow sand of the island, leaving a yard or so of water to cross.

Those women in the party who were not wearing stockings were able to remove their shoes and wade ashore; with varying degrees of success, the men leapt. Once settled on land we were able to look back at the magnificent Kerry coastline. Around us grazed a few untended sheep and a great many uninhabited snails.

But we had not come for the snails. Just off Dinish Island is one of Ireland's larger salmon farms owned by Salmara Fisheries. Here in the warm, Gulf Stream waters of southern Ireland salmon grow to maturity rather more quickly than they do in Scotland or Shetland: a minute smolt will

achieve a saleable weight of 3.5 kilos in just under 14 months. These waters are also some of the least polluted in Europe. As with the better farms on Shetland the salmon live far out to sea and inhabit spacious pens to give them a semblance of life before death.

Irish salmon is far less well known in Britain than its Scottish equivalent. Exports go chiefly to France, America, Germany and Spain. This must be, to some extent, a result of an inbuilt prejudice on the part of the British consumer as the fish can be quite magnificent. I will remember my own first experience of Irish smoked salmon in the Champagne Bar at the Curragh race-course. At the time I thought it was the best I had ever eaten.

The Curragh salmon was probably a wild fish. I recall its irregular texture and the presence of the occasional blood clot. Both these factors now count as faults in salmon. Idiosyncratic patterns in the flesh relegate the fish to the pâté manufacturers; the fish are

systematically bled, although most knowledgeable people in the restaurant business admit that the blood contributed massively to the flavour.

Pretty patterned flesh is not the sole prejudice which currently gnaws at the quality of smoked salmon. The need to

produce a pretty pink colour determines the feed of the fish on the farms. Yet, as Rémi Benoit (a French man who owns a smokery near Kenmare) points out, possibly the best smoked salmon was an ivory white fish from Denmark. The lack of pigment came from the absence of krill in the Baltic. I have eaten similarly white, but distinctly oily, smoked salmon in Poland, the oil marking it down as a

farmed fish. Before the days of refrigeration not only was the fish wild, but the cure was much heavier to prevent the fish from going off. In our own days we have seen the removal of this crust, and the trend, towards less smoke and salt. With this modern cure we now experience far more of the flavour of the fish.

Smoked salmon has long since ceased to be a luxury food, and this is very largely as a result of the mad enthusiasm to create fish farms which has affected all the more remote corners of the British Isles. Many of these I feel will come to grief: the prices for salmon are now at rock bottom, with the margins all being made by the middle men. Stylistic uniformity is also a problem: one is beginning to regret the passing of the old fashioned cures which used to abound in certain places, notably in the East End of London.

One highly individual salmon I experienced recently was introduced to me by my sister. The fish comes from

North Uist where it is smoked over a good deal of peat by George and Rosemary Jackson. The result has the pungency of a bonfire and I recommend that you eat it with a good, peaty lacy malt whisky. Laverne would be the best.

For anyone whose palate has become saturated with smoked salmon over the last couple of months, a good alternative is smoked sevruga sturgeon. The flesh of the sturgeon is very dense and meaty, and lacks the slightly sickly oiliness of so much farmed salmon. The London restaurant Bibendum, both in its downstairs fish bar and upstairs in the restaurant, is promoting smoked sevruga sturgeon accompanied by a portion of sevruga caviar and a glass of champagne. As a light lunch it sounds like civilisation itself.

Information: For Irish salmon contact the Irish Sea Fisheries Board, tel: (010-332-1) 294-1544, fax: 294-1122. For Rémi Benoit's Kenmare Salmon Co. tel: (010-332) 084-4122, fax:

064-41414. For George and Rosemary Jackson of Marmalade Fish Supplies of North Uist, tel: 08764-209, fax: 08764-323.

Sevruga sturgeon may be obtained from Princesses d'Alsace, tel: 061-960-9600, fax: 061-960-3839. Bibendum is at 81 Fencham Road, London, SW3, tel: 071-581-8817, restaurant and sea food bar open all week. Marks & Spencer is selling Irish Smoked Salmon at £4.75 per five-ounce pack.

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TRAVEL

Brought down to size in a forest of giants

I FELT like the incredible shrinking woman when I entered the karri forest near Manjimup in the south-west corner of Western Australia. These eucalypts are colossal. When entire forests assume twice usual size you get the unsettling impression that that is the norm, and that it is you that has dwindled. The South Western Highway becomes the aisle of a cathedral landscape, with vast columnar trunks zooming up to a fan vaulting of branches that admit great shafts of sunlight.

Quality hardwoods such as karri and jarrah are the staple of this region's timber trade. "Those," said one resident bitterly, showing me mountains of woodchips on the dock at Bunbury, "are our forests."

To visitors' eyes, however, there seems to be plenty of forest left. At one end of the industry is Bunbury, the timber and hardware store giant whose name above the sawmill seems to proclaim dominion over Pemberton town. At the other end is a man I met happy and dusty in a pile of shavings, who empathises with his craft and his environment and does not seem hell-bent on making a fast buck.

With a studio home on the forest doorstep overlooking Pemberton and a garden full of chickens and vegetables, the life of Peter Kovacs, a woodcarver and turner, seems to epitomise the Perth city-dweller's rural dream.

But Kovacs understands hard work and professionalism. He is a perfectionist. He also respects the source that supplies him. He uses mostly waste wood salvaged from the forest floor to produce the high-quality bowls, boxes and furniture. Jarrah is an especially beautiful native wood, being rich red.

Kovacs transforms burls - basically, huge clotted deformities of the tree - sculpting them into abstract "forest free-forms," or slicing them into table-tops revealing chaotic whorls and chinks of daylight. His woodcraft is visual, tactile and fragrant, from the workshop tang of green timber to the perfume of a finished sandalwood bracelet.

Reaching the Karri Valley Resort too late to appreciate anything but frogs yodelling somewhere beneath the floor, I discovered next morning that my room was perched on stilts above a trout lake (trout farming began around Pemberton in the

1930s). Across the water, huge trees cast ribcage reflections. Through Beedup National Park spangled blue fairy wrens crossed my path and scarves of gum bark floated down.

I decided I could not improve upon the serenity by joining the resort's games, organised for Australia Day, which included the "pic and sauce throw" and "pin the thong on the yobbo." Things here are not gettings but sandalings of the type the Brits call flip-flops - regulation footwear for that archetypal Aussie yobbo, the ocker.

I did not scale Pemberton's Gloucester Tree, either, due to cow-

Julia Berney marvels at the soaring treescap of west Australia

ardice. At 60 metres this spiral-rumped karri is the world's tallest fire lookout tree. Spotter planes have made most watchtowers redundant. Winter rainfall here is substantial - many towns' names end in "up," the Aboriginal word for water - yet summer desiccates the forest dangerously. I passed minor bushfires near Nannup; a week later serious blazes occurred throughout the south-west.

Yet the native flora has evolved with fire as part of its natural cycle; as a result, eucalypts regenerate from charred wood with defiant speed. In Walpole's Valley of Giants, one single tree has a gutted trunk so big that people used to park cars inside it until soil erosion necessitated fencing it. Healthy leaves still crown the empty hulk.

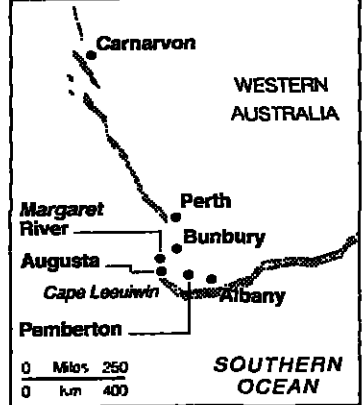
Even a lighthouse can cause bushfire. Rather as you focus sun through a magnifying glass to burn the back of somebody's neck, so Cape Leeuwin's lighthouse lens could ignite coastal scrub by reflection - if it was not curtailed by day. Cape Leeuwin, near Augusta, is where the Southern and Indian Oceans collide across reefs. On the beach stands a petrified water-wheel.

From Nannup to Augusta the forest gradually resumes normal proportions, with yellow bull banksia and she-oak that sighs in the wind

like a waterfall. From Augusta towards Margaret River you re-enter karri country with an under-storey of peppermint trees.

Parallel with the coast and Bus-sell Highway, the much quieter Caves Road gives access to subterranean stalactite extravaganzas like Jewel Cave and small bright white beaches, some deserted even on the year's busiest weekend. Margaret River's Prevelly Park is popular, however, particularly with surfers.

Surfer Jack, 18, gave me a crash introduction to his sub-culture. Second to surfing he listed his pleasures as: doing sadistic things with fish-hooks to marauding gulls; abus-



ing fluoro-clad novice surfers; peeing in his wet-suit in the cold Margaret surf; smoking dope and "generally getting wasted." Illegal marijuana plantations flourish in the green south-west. The curative properties of salt water, Jack reckoned, combat the results of excessive hook.

Margaret River is where excess, or at least indulgence, beckons everywhere: you need lots of pocket-money and no self-discipline. Good restaurants, coffee-houses and galleries hide in the middle of the bush with only a discreet signpost inviting you down gravel tracks. Discovering Boranup Gallery, a rammed-earth construction full of ceramics, furniture and paintings, deep in the forest off Caves Road, is literally a treasure-hunt.

There are berry farms, stonefruit orchards, cheese factories and hatcheries for indigenous freshwater crayfish. But it is the wineries that really dominate the area. Viticulture was established in the

1960s purely on theoretical advice, after an agronomist found that the total annual sunshine compared favourably with Bordeaux. Soon, Margaret River was producing award-winning premium wines.

I began tasting at 10am. Seven wineries later, I wished I had had the constraint to spit in the bucket from the outset. The sun became soporific and dead kangaroos by the roadside began to look snugly and cuddlesome, like furry animal pyjama-cases.

Every winery has its own atmosphere. Many are small, family concerns crushing less than 100 tonnes of grapes a year. Some, such as Ribbon Vale, are basic and unadorned, using nothing but the fine quality of the wine to lure visitors. Others enhance their individuality with additional attractions.

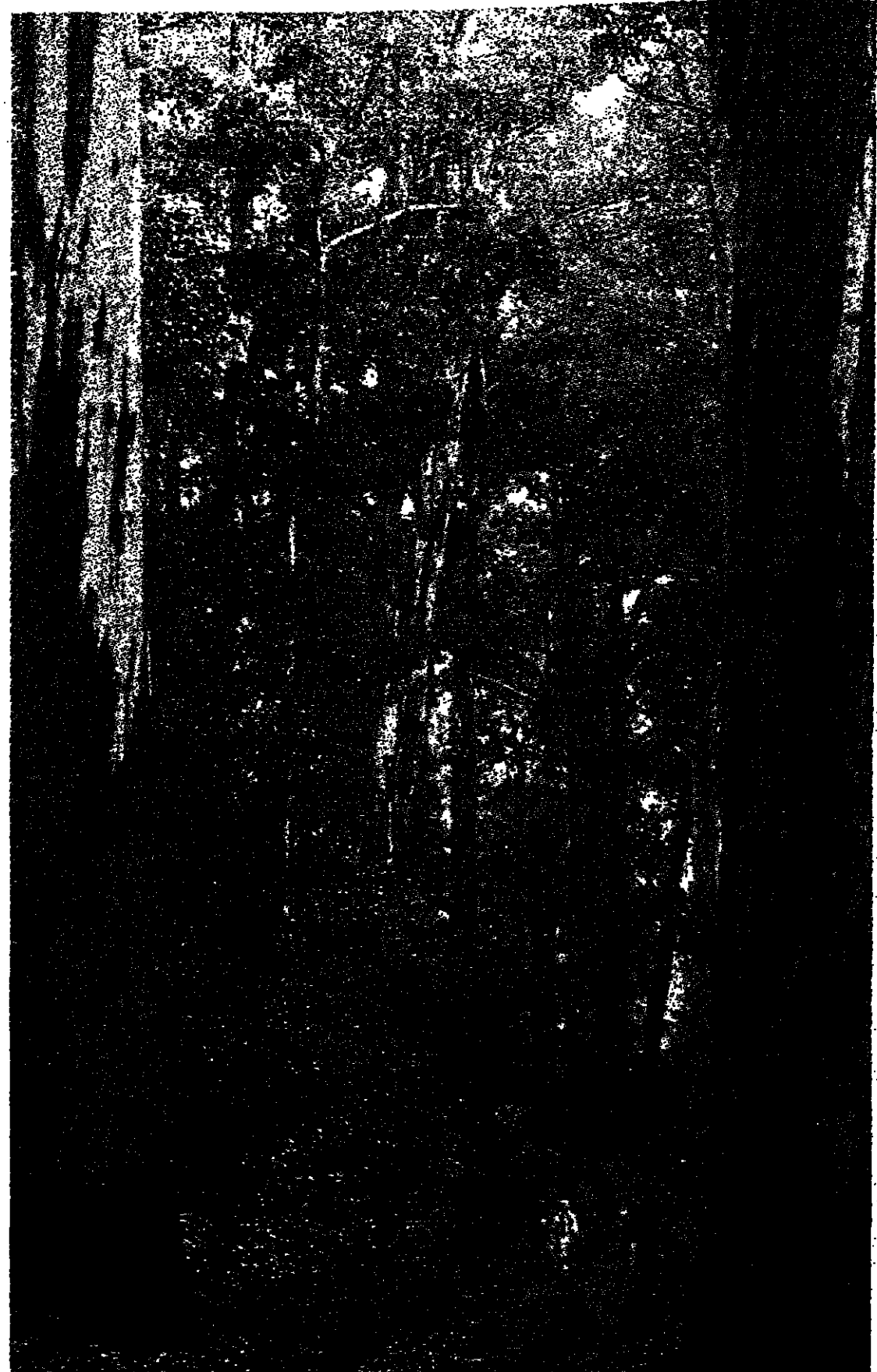
Happ's Misty Ridge houses a pottery in its mud-brick buildings; Brookland Valley vineyard has a gallery devoted to wine arts and limited edition prints celebrating everything from the grape itself to Bacchus. Leeuwin Estate takes its association with the arts even further. A 1985 open-air performance by the London Philharmonic Orchestra was the first annual Leeuwin Concert on the lawns above Boodjidup Brook. Leeuwin Estate also has an impressive collection of contemporary art, comprising many leading Australian painters; all the paintings have featured on Leeuwin's "Art Series" bottles.

The art of the wine label seems a microcosm of the whole south-west - a fat, fertile, creative region which satisfies both the gastronomic and the aesthetic.

The south-west tip's Mediterranean climate is ideal for those who find summer elsewhere in Western Australia too hot. Karri Valley Resort is central for exploring Pemberton and much of the south coast. Its log cabins have wood stoves - axes are provided, you chop your own wood - but no radio or TV, so you can forget the world.

In Pemberton, Peter Kovacs runs workshops for beginners or professionals wishing to improve their woodcraft. About 30 Margaret River wineries are open to the public.

Further information: Western Australian Tourism Commission, 115 Strand, London WC2R 0AJ, tel: 071-240-2381, fax: 071-379-9626.



Karri forest: the enormous eucalypts have learnt to live with fire and grow with defiant speed

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TRAVEL BROCHURE PANEL GUIDE
SEPTEMBER 12TH 1992
Everyone involved in advertising is aware that "one-off" advertisements are a risk - a week after the ad appears, response will usually disappear.

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FT
BY INVITATION



A 'Hole in One' Weekend Break in Bermuda

Photo: Courtesy of Bermuda Tourism

The Financial Times, in association with the Government of Bermuda, invites its readers to join us for a unique golfing weekend on the 'Seventh Heaven' island of Bermuda. We have prepared a programme which includes an FT golf day at the Port Royal Golf Course, and time for rounds at other courses on the island.

Guests may travel on the 7 hour direct-British Airways flight from London (Gatwick) to Bermuda on Saturday 17 October and return overnight on Tuesday 20 October. Flights on earlier or later Tuesdays or Saturdays can easily be arranged, or readers may prefer to make their own travel arrangements. Half board hotel accommodation is offered at either the Southampton Princess Hotel or the Ariel Sands Hotel.

The cost of this long weekend, which includes return air fare, hotel accommodation, transfers and a variety of social activities is £759. To reserve your place or to obtain further information please complete the coupon opposite.

Brief Itinerary
Saturday 17 October - Depart London (Gatwick) at 1500hrs. Arrive Bermuda 1800hrs.
Sunday 18 October - Visit Camden, the Premier's Official Residence followed by a cocktail reception hosted by the Premier, the Hon. Sir John W.D. Swan, KBE, JP, MP. Barbecue dinner at Ariel Sands Hotel.
Monday 19 October - Financial Times Golf Day at Port Royal Golf Course. Dinner at Southampton Princess Hotel.
Tuesday 20 October - Day free. BA flight 232 departs Bermuda at 2200hrs arriving London (Gatwick) Airport on Wednesday 21 October at 0845hrs.
Tickets are subject to availability. Price quoted assumes double occupancy of room at the Ariel Sands Hotel. Accommodation at the Southampton Princess Hotel is an additional £26 per person. A single room supplement applies for both hotels.
Addresses supplied by readers in response to this invitation will be retained by the Financial Times, which is registered under the Data Protection Act 1984.
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SPORT AND MOTORING

Golf

Reading the greens: how Faldo does his course work

IF YOU can tell a man by the books he reads, then you can tell a golfer by the way he prepares for a championship. Practice rounds are regarded by most professional golfers as a time for low jinks and high stakes, a bit of light relief before the action begins. If your name is Nick Faldo, however, you prepare painstakingly, leaving nothing to chance.

It was hot in St Louis on Tuesday as Faldo set out on his third practice round prior to this week's US PGA championship, though he did not have to contend with the searing humidity of the two previous days when temperatures approached 100°F and humidity was as high.

Nevertheless, in the locker room Faldo coated his face and forearms with sun screen, minced an apple and placed a banana and several bottles of water in his bag.

"I want to prepare so thoroughly that when I lie in bed I can visualise every hole, every shot I am likely to have to play, every putt, every undulation in a green," Faldo told me as he practised for the 1991 Open at Royal St George's.

In St Louis this week it was not at all the same. "This course is easy to the point of being boring," said Faldo. "There is no element of a links course here at all. There is no wind to take into consideration. It's just a matter of hitting from the tee to the fairway, from the fairway to the green."

Deane Beman, now boss of the American pro tour, was one of the first to start measuring distances by mechanical means instead of visual means. In the early 1980s, Jack Nicklaus noticed what Beman was doing, copied it, and refined it to a black art.

Soon every pro used mechanical aids to measure distances and Bernhard Langer even went so far as to measure with two wheels, one in yards, the other in metres.

Watching Faldo at practice this

week was like watching a carver whittling away at a block of wood. Often he played two balls from the tee, sometimes shaking his head with dissatisfaction as his drive veered from its intended course. "Give me another," he would sigh to his caddy Fanny Sunesson, holding out his hand.

On the third green Faldo stuck a white tee peg in the grass and putted towards it. Then he marched to the edge of the green and hit some shots from this straggly grass around the fringe. Sometimes he took a long, slow swing so that the ball flew out in a high parabola, dropped softly and rolled towards its target.

Other shots were hit with a firm rap

changes that transformed Faldo into the world's leading player. From time to time Leadbetter would step forward and from beneath the shadow of a wide-brimmed straw hat and behind a pair of dark glasses he would say something quietly to Faldo.

It was almost as if he was adjusting a painting. A hand here, a touch there, a few quick, quiet sentences. "He's looking awfully good now," said Leadbetter. "There are a lot more majors in him provided he remains healthy."

The procession headed by Faldo and his practice partner Mike Hulbert was marching down the seventh fairway when a fan screamed out at Fanny Sunesson. He wanted her autograph.

"No, no, no," said Sunesson, a bluish rising to her cheeks. "Go on," said Faldo, walking on and saying over his shoulder: "It's coming to something when a player has to wait for his caddy because his caddy's signing autographs." He smiled. "In Sweden they applauded her on to the tee."

The appeal of Sunesson to Faldo is her professionalism. Her dedication mirrors his own. "She is a hard worker," said Faldo. "She trains physically to stay in shape. Humping a 40lb bag around is not easy, specially for a woman. There are not many men out here who exercise much more than raising their right arm."

The 18th came into sight, a welcome relief from a round that had begun 5½ hours earlier. Faldo's meticulous preparation was completed. He had walked the best part of six miles and, including the hour he spent on the driving range before he began his round, had hit as many as 200 shots.

He had done all he could to prepare himself. Whether or not he wins his second major title of the year, and his sixth in all, is now in the lap of the gods. On Tuesday night Faldo fell asleep over dinner with his wife Gill and was in bed by 9.30pm, sleeping the sleep of the just.

John Hopkins follows the Open champion on a 5½-hour practice round

to dig the ball out and it flew low and fast at the flag. On the fourth hole, he must have hit 20 balls from varying positions around the green and from bunkers.

As he approached each green he would pull an orange-covered notebook from his back pocket. This showed the size of the green, the likely flag positions, the distances from bunkers to the flag.

"I am just checking the humps and bumps now," said Faldo. "This is practically all there is left to do in a practice round. I know what club I am going to take nine times out of ten by the time I have reached the ball. When Fanny tells me the distances left to the flag that just confirms in my mind the club I should take."

As Faldo practised he was followed by David Leadbetter, his coach, the man responsible for the swing

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Winning drive: Faldo on his way to victory in the Open last month

Cricket/Teresa McLean

Losing the image game

CRICKET has always had an eye for its image, especially at the higher levels of the game. It is a spectacle, performed on a grassy stage before a devoted audience. Admittedly the numbers of the devoted vary, but the potential for hero worship is constant.

Young Pakistani Yorkshiremen waved their way through the Headingley Test with national flags and rhythmic chants of "In-za-mam," the tourists' favourite batting style.

Nearly a century ago, The Times produced a fulsome leader celebrating the testimonial of England's favourite batsman, W G Grace.

Today, English cricket has no Grace, no reason to boast too much about the heroes of its fights and no strong image. This last lack may not be a bad thing.

Modern "profiles" are pumped up by agents to advertise teams and cricketers' distinctive persona, which their agents consider invaluable in an age of media attention. More's the pity.

I respected Yorkshire's policy of only using home-grown players, something all other counties had abandoned. But, depressed by their failures, Yorkshire joined the international marketplace and signed Sachin Tendulkar, the young Indian superstar, as a new breed of glamorous Yorkshireman for this season.

He does seem to have saved the county from getting trapped in an image of itself as the home of hard times, after great times in the 1960s and '70s. He has given the club a transfusion of outside interest.

At the Test level, it is the West Indies who are in abeyance after years of splendour. A drawn tour in England last summer was followed by a drawn tour of Pakistan in the winter, which left the Pakistanis eager to prove themselves the best in the world.

They returned home from the World Cup as beacons of their country's glory. They feed off this. But they also enjoy a battle. It would be sad if automatic hostility replaced strategic battle-plans. Nothing undermines the enemy so much as a fizzing leg-break. As Mushaq Ahmed can show. But then nothing provokes Pakistani fury as much as calmness from the opposition, such as the languid David Gower, or from officials, such as the unfortunate Roy Palmer at Old Trafford, who was quickly denounced as a member of the opposition.

Good behaviour is a 20th century innovation in cricket, and

a welcome one. In 1973 Arthur Fagg, a great umpire, bawled the start of a new era of high pressure dissent in which we are stuck today. He was so angry with the West Indian captain Rohan Kanhai's abuse of one of his decisions in the Edgbaston Test that he refused to go on.

When the West Indies issued an official apology, Fagg agreed to complete the game, but said sadly: "If they will not accept decisions, there is no point carrying on... I don't enjoy umpiring Tests any more... There is so much at stake... the game has changed, and not for the better." He could have been speaking this summer.

Cricket's ever-growing civil service is not the way to keep the peace. Its legal expansion cannot control the money and politics which let cricketers behave like prima donnas. The International Cricket Council's match referee (what an ill-conceived job) fined Pakistan's substitute fielder Rashid Latif \$120 for "serious and obvious dissent" at Headingley. Next time, perhaps, offenders will have to miss pudding at lunch.

Umpires have always been the walking wounded of struggles for the honour of the game, and they must keep walking. Respect for umpires is crucial to cricket. If international pressure affects umpiring appointments or decisions, the game is done for. Just before the Old Trafford Test, I asked Javed Miandad, Pakistan's captain, about his country's cricket in England so far this summer. He was the essence of acquiescence, all happy, all comfortable.

"You must have been in a good mood after Pakistan's victory at Lords?"

"I'm always in a good mood," he replied.

This was public relations with a vengeance.

After many further attempts, ranging from food to social life, I had my last try at reaching him whether he was enjoying his captaincy. He was ready for me.

"What is captaincy?... It doesn't make any difference to me... I wasn't keen, you know, to take the captaincy on this trip, but I've been forced by the Board."

Javed's soft, brown eyes would have melted the rubber off cricket bats. It has almost reached the stage where cricketers have two languages, one for the field and one for the media.

England at present are a team lacking distinctive features on the field of play, either of fast or slow pace, captaincy or keeping.

Graham Gooch is a hard-working, not an inspiring, captain. Smooth talk has never been one of his problems. I hope it will never have to become one.

Rugby

Botha carries 'Bok hopes

SOUTH Africa's athletes are home after a less than triumphant return to the Olympic Games following an absence of 32 years. Forty-second in the medal table, with only two silvers, is not the sort of performance to satisfy such a sports-mad country.

Today, however, the country's rugby players have an opportunity to make amends when the Springboks - as they are sure to remain known, despite the efforts of politicians to kill the "apartheid" designation - meet New Zealand's All Blacks at Ellis Park in Johannesburg.

It is South Africa's first official rugby Test since they drubbed a weak English side in 1984, and the first meeting between the two countries since the protest-ravaged 1981 tour of New Zealand by the Springboks.

In terms of national pride, there is a lot at stake for white South Africans - relatively few blacks play the game -

over the next week. In keeping with South Africa's generally somewhat breathless return to world sport, the Springboks are also due to face Australia's world-champion Wallabies in Cape Town next Saturday.

It is a schedule that ranks with the country's return to international cricket last year when, with less than a month's notice, the South Africans travelled to India to play three one-day internationals. They were outclassed in the first two but won the third handsomely.

A similar pattern for the rugby players would not be unexpected. For a team that has been out of international rugby for eight years, and which has never played together, to take on two such powerful and settled combina-

tions is extraordinarily ambitious, if not foolish.

There is also the matter of rules. South Africans worry that isolation has bred bad habits - particularly, lifting in

Philip Gawith previews today's historic Test in Johannesburg

the line-outs - which neutral referees will penalise heavily. Indeed, the Australian official who will handle today's match has indicated that he will crack down on illegal line-out tactics.

There are, therefore, alibis in abundance should the national

ago take a pounding over the next week. Even so, Springbok supporters are pinning their hopes of victory on two factors: home advantage and 34-year-old Vass Botha.

The Springboks can, of course, be beaten at home - the formidable 1974 British Lions proved that - but it is never easy. Botha, however, is something else.

Almost certainly, the fair-haired fly-half and captain is the most controversial rugby player South Africa has produced. He made his debut for Northern Transvaal in 1977, aged 19, and has dominated South African rugby ever since, apart from a brief period in American football in 1983 as a kicker for the Dallas Cowboys and New England Patriots.

His involvement in professional sport caused fierce debate when he was then cleared to resume his career in the "amateur" rugby code.

Botha enjoys celebrity status in the Afrikaans media, which dwells lavishly on his every move. But, despite his phenomenal talents, many rugby followers outside the Transvaal accord him only grudging respect.

His precocious debut, and later captaincy of Northern Transvaal when they were near-invincible late in the 1970s and early '80s, won him adulation in Pretoria but enemies elsewhere.

Much of this was jealousy: rivals resented his match-winning qualities. They attacked his style of play, criticising

him for kicking the game to death and never tackling. His quick temper did not help: his frequent involvement in niggling off-the-ball incidents created an image as a poor sportsman.

Botha is certainly no angel, but it is unfortunate that his on-field gifts have sometimes been obscured by his personality and private life. His drop-kicking and punting abilities are legendary - testimony to superb balance and timing - and his tactical sense impeccable.

He also has a well defined instinct of self-preservation. It is likely that Michael Jones, the speedy All Black flanker, will have the task this afternoon of trying to stop Botha. If he does not succeed, he can reflect that other distinguished players, like Ireland's Fergus Slattery and Jean-Pierre Rives of France, have failed before him.

Today's game and next Saturday's against Australia will be shown live on ITV.

Motoring/Stuart Marshall

Grand Prix way to road safety

UNBROKEN concentration and good judgment win grand prix motor races. If everyone showed the same qualities in day-to-day driving, most road accidents could be avoided.

That is the gospel according to Dr Jonathan Palmer, who drove in 85 Formula 1 races, mainly with the Tyrrell team. He was also a highly successful driver in Formula 2 and 3, as

well as touring car and world sports car championships events for Porsche and Mercedes-Benz.

He still acts as a test driver for the McLaren Honda F1 team. But Palmer's main activity at the moment is running the 1992 Cellnet Driver Challenge.

For three years, Cellnet, the mobile telephone provider, ran a contest to find the best business driver. It must have felt

the need to counter the popular image of a car 'phone-user as a man in red braces and a Porsche, making calls while driving one-handed on the M25 at 90 mph and almost touching the bumper of the car in front.

As the car 'phone market approaches saturation, Cellnet has plans for another kind of service that "non-company" people might hope to afford. So, in preparation, this year's driver challenge was opened to every kind of motorist: mum in her Metro, cab and delivery van drivers and under-25s as well as high-mileage businessmen and women. Entry is free.

I joined competitors in the Reading heat this week. There were manoeuvring and smooth driving tests in a Toyota Carina R provided by Cellnet; a vision test; a brake reaction time test; a simple written examination on road safety;

and some horribly fascinating road crash case histories on video.

No, I will not be going on to the semi-final but I rated it an enjoyable and instructive morning. Anything to sharpen a motorist's awareness that concentration and good judgment are the secrets of safe driving has to be worthwhile.

THE FIRST nip in the morning air is a reminder that summer is drawing to a close and the two big motor shows of autumn are not far off. The Paris salon de l'automobile comes first October 8-18 at Porte de Versailles while Britain's international motor show opens at the National Exhibition Centre, Birmingham, on October 24 for a nine-day run.

The British show will be unlike any held before, either at the NEC or its previous venues, Earl's Court and Olympia in London. It will be combined with the Midlands autumn ideal home show; the same ticket (£7 for adults; children and senior citizens half price) admits to both events, which are on the same site.

There will be no heavy commercial vehicles, which are to have a separate show of their own at the NEC next year.

The organisers say the razzmatazz confined previously to press day will extend throughout the show. They do not mean scantily-clad women draped over car bonnets and tidal waves of champagne but live music and entertainment for the whole family.

Can it really be that people once went to motor shows just to look at cars?



THE SEVENTH generation Toyota Corolla, the world's best-selling car, arrived in British showrooms last week.

There is more than a hint of Toyota's top luxury saloon, the Lexus LS400, about its curvy styling - and the resemblance goes more than skin deep.

One reason why the sepulchral silence of the Lexus shook European executive class car-makers was the use

of steel/bitumen "sandwich" panels in critical parts of its vehicle structure. They stifle noise and vibration at source.

The Corollas have them, too, together with gold-plated electrical connectors for aerospace reliability standards; occupant-protecting side impact beams in the doors; and a body shell made almost 90 per cent from galvanneal anti-rust steel.

All Corollas have fuel-injected, 16-valve, 1.3 or 1.6 litre engines with catalytic

converters. Power-assisted steering, central locking, four-speaker radio/cassette players and 60/40 folding rear seats are standard equipment.

Prices of the new and larger models are little higher than before. They start at £9,456 for the 1.3 XLI three-door and rise to £13,210 for the 1.6 Executive.

Automatic transmission instead of a five-speed gearbox is a modestly priced (£805) extra on most models.

A two-litre diesel engine option and a high-performance 1.8 litre Corolla GTi will be offered early next year.

There are three-door and five-door liftback, four-door saloon and estate car Corollas, all claimed by Toyota to be class leaders for quietness and refinement.

Pictured above left is the 1.3 GLi saloon, which costs £10,910. Like all Toyotas, the new Corollas come with a three-year or 60,000 mile (96,000 km) warranty.

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BOOKS

Funny Girl with a torch

Anthony Curtis reads a new biography of Broadway legend Fanny Brice

"NO OTHER comedian succeeded so well in giving expression to the life of that audience, in raising it to a kind of art." T.S. Eliot's encomium of Marie Lloyd applies equally well to Fanny Brice. In her case, it was the life of the largely Jewish audience of New York's Lower East Side in the 1920s that she raised to "a kind of art" - but let us throw caution to the winds and just say to Art.

Fanny, whose ebullient personality was re-created in the Broadway musical (and later film) *Funny Girl*, was born Fania Borach to a New York Jewish couple in 1891. The family of Rosa, her mother, came from Hungary and that of Charlie, her father, from French Alsace. The name Brice was borrowed from Irish friends by Fanny when, as a young girl, she began to get work as an entertainer. Fanny used a Yiddish intonation in her early comedy routines. This tone, cultivated deliberately, was not exactly her ordinary voice. From the start of her career, she plugged the ethnic strain to create a unique rapport with her audience.

"Mrs Cohen at the beach" became one of Fanny's standards, a one-woman sketch she performed over many years, giving rise ultimately to impressions by other comedienne of Fanny doing it. Luckily, a recording of Fanny herself doing it exists.

Like a gutsy Joyce Grenfell, and at about six times the speed, Fanny, in her monologue as Mother, evokes the presence of all the others as they picnic on the beach at Coney Island. A deckchair attendant suddenly appears and demands she pay for one of the children occupying a deckchair. "But she's only five years old," protests Fanny. "Only five! She looks much older," he ripostes. To which comes the reply: "Can I help it if she worries?"

It was from these vaudeville beginnings that Fanny, a gawky lady with a prominent nose, graduated to

becoming the elegant Broadway legend re-incarnated in 1968 and 1975 by Barbra Streisand in the films *Funny Girl* and *Funny Lady*. Those visually stunning biopic movies were produced by Ray Stark, the husband of Fanny's daughter, Frances. Did they bear any relation to the original Fanny?

A new biography of Fanny, written bravely but compiled painstakingly, gives the answer. The outline of Fanny's chequered life, including her second and third husbands - Nick Arnstein (Omar Sharif) and Billy Rose (James Caan) - was broadly accurate. Fanny's slapstick song "Sadie Salome Go Home" was replaced by Styne and Sondheim's clever, catchy "Sadie, Sadie, Married Lady" and, by the end, the female Jewish clown was eclipsed by Streisand's elegant, agonised torch singer.

The torch song, in which Fanny specialised when she became a star, came



Funny lady: a caricature of Brice

into fashion in the prohibition era. A female singer would come on in a dimly-lit speakeasy to shed a flood of illumination on her inner life. This always concerned a man - or, rather, "That Man" - to whom she was in a state of hopeless emotional bondage; a man who was unfaithful to her systematically and disappeared without trace for days on end; a man who was a complete dead loss in every way except one.

The standard contents of the torch song mirrored exactly the course of Fanny's second marriage (the first one lasted only a few days) to the shady wheeler-dealer and gambler Nick Arnstein, by whom she had two children

FANNY BRICE: THE ORIGINAL FUNNY GIRL
by Herbert J. Goldman
Oxford £17.50, 308 pages

and to whom she remained loyal during his spells in prison.

Fanny took the torch song out of the speakeasy and on to Broadway as a show-stopping item in the *Ziegfeld Follies*, where she was one of its greatest stars. Her famous song "My Man" was acquired from Paris, where it had been sung since the turn of the century by Mistinguette as "Mon Homme" (in whose rendering it sounds like "marn-arm-er"). Cleaned up a little in the words, but with the same infectious music by Maurice Yvain, it served Fanny extraordinarily well.

After Arnstein came Billy Rose, a small man with vast showbiz ambition and mafia connections. His alliance with Fanny lasted harmoniously for a number of years as he grew in power and influence in the entertainment industry. Then, Billy cheated with the main attraction of one of his swimming spectacles, the ex-Olympic champion Eleanor Holm. Saul Bellow in his won-

derful *novella* about modern American Jewishness, *The Bellarosa Connection*, sees deeply into Rose's character under the guise of fiction. So, finally, did Fanny and divorced him. By then, she was getting a little too old to appear in glamorous roles on stage and, in her private life, she preferred the company of women friends like Beatrice Lillie. She turned down an offer of re-marriage by the 70-year-old Arnstein.

What saved her sanity, her professional pride and her bank balance was radio comedy in its golden era. Rose had noted Fanny's trick of lapsing into baby language when she was piqued, and he got Moss Hart to write a sketch for her as Babykins. By the *Follies* of 1936, the idea had evolved into the character Baby Snooks, a precocious infant who delivered home truths as uninhibitedly as Mr Bones in the old minstrel shows. Fanny appeared as Baby Snooks on radio in Maxwell House's *Good News* of 1938, after which Snooks became a radio series with an avid nationwide audience. It ran steadily until the 1950s, comparable in popularity and hilarity to Britain's *Goon Show* but with only one main star and massive commercial backing.

In her last years, during the period after the Second World War, Fanny worked only in the broadcasting studio, rehearsing the latest episode of Snooks and spending the rest of her time as a lady of leisure. She died in 1951 leaving an estate worth \$2m. The rabbi who gave the funeral address quoted from the Bible: "The heart ennobles any calling..." It would be good to have Fanny's comment capping that.

Goldman's volume traces her career in full with many quotes from contemporary newspaper critics, and it includes useful lists of Fannyanas covering books, magazine articles, records, stage, film and radio productions. Fanny does not seem ever to have appeared on television.



From the tomb of Ramose, vizier of Egypt 1855-1850 BC - one of the many photographs by Graham Harrison in Egypt: The Living Past by T G H James, former Keeper of Egyptian Antiquities at the British Museum (British Museum Press £25, 206 pages).

Breaking the code of life

ONE OF the most important programmes of scientific research ever devised is under way, in a massive cooperative effort in laboratories around the world. It is the Human Genome Project, and it concerns nothing less than the nature of man. In his entertainingly clear account, Robert Shapiro explains what it is and explores the exciting and sometimes alarming possibilities it offers.

Genome research is the province of that department of biological science called genetics. Genetics is the investigation of how organisms bequeath anatomical, physiological and behavioural traits to their offspring, and how such traits express themselves in the formation and development of individual organisms. Central

THE HUMAN BLUEPRINT
by Robert Shapiro
Cassell £16.99, 432 pages

THE CODE OF CODES
edited by D.J. Kevles and L. Hood
Harvard £23.95, 396 pages

to this inquiry is the concept of the gene, a chemical packet of information which is the fundamental unit of heredity.

The word "gene" was coined in 1909, but the idea dates back to the work of the 19th century monk Gregor Mendel, who studied heredity in sweet peas and proposed a mechanism by which characteristics are passed between generations. Little more than a century has elapsed since Mendel's day, but genetics has proved to be one of the most important sciences in history.

The sum of all genetic material in a given organism is called the "genome". It is a hugely complex chemical storehouse of information, a code or script in which is written the secrets of every physical aspect of a living creature. The quantity of information in a single human genome is equivalent to the amount of data in a thousand telephone directories each a thousand pages long.

When scientists can read the code, they will have information about an individual's genetic make-up which will reveal not only his heredity (for example, which forebears bequeathed him his height, colouring and other traits), but something of his fate also - for example, the diseases he has or might be prone to, and the possibility of his offspring inheriting these or those characteristics and conditions.

Genetics has already explained much and made many things possible, especially in medicine, where it has proved itself a powerful tool. Transplant surgery, prenatal diagnosis, cancer treatments, the manufacture of insulin for treatment of diabetes: all would be impossible without

genetics. Genetics is crucial in cystic fibrosis research and the attempt to understand Alzheimer's disease. But these advances are based on limited and partial knowledge of the human genome, which until recently presented too large a task for more than piecemeal investigation.

Thanks to brilliant recent discoveries about how to read the genetic code, together with the bold imagination and resolve of scientists prepared to work together on a long-term international project, the limits on scientific understanding of the genome are being pushed back. At a meeting in San Diego, California, in October 1989, the Human Genome Project was launched, scheduled to take 15 years and promised \$3bn by the US government over that period.

With the right techniques established, and high-powered computer technology available, there is excitement among the researchers. What has been described as the "holy grail" of human genetics is close at hand.

James Watson, one of the discoverers of DNA and the Genome Project's head, has said: "A more important set of instruction books will never be found by human beings. When finally interpreted, the genetic messages encoded within our DNA will provide the ultimate answers to the chemical underpinnings of human existence."

Shapiro takes us through the detective story of how genetics developed, and lucidly explains the nature of the genome and the task of investigating it. In the collection of essays edited by Kevles and Hood the same terrain is covered, but more technically. Both books make admirable and successful efforts to equip general readers with a clear grasp of the issues.

An important matter, because the future of genome research prompts a number of difficult questions. This is illustrated by both books when they turn from explanation of the genome project to the consequences of its successful completion. Armed with as much genetic knowledge, will we be tempted to manipulate the genetic material of future people not just to exclude hereditary diseases, but to make them taller, more intelligent, more athletic? Should employers know the genetic profile of potential employees, some of whom they might refuse to employ because they have, say, a genetic risk of early death from heart disease? What policies should we adopt now to cope with the taxing choices we shall soon have to make, now that all this knowledge is rushing upon us?

Shapiro, and the contributors to the Kevles and Hood volume, issue us with an invitation to reflect on these questions while there is still time.

A.C. Grayling

Stars in a political drama

David Spanier on Bush, Reagan - and others who didn't make it

do venture off the record. By now, experience surely has shown politicians of presidential calibre that everything they do or say it is going to be noted down and, quite soon, written up.

Granted, there is a kind of "true life confessions" appeal in the revelation of the minutiae of politicians' tactics, their back-room confabs and front office poses. *What It Takes*, by a former *Philadelphia Inquirer* reporter, seeks to answer the question: "What are these guys like?" in relation to Bush and Dole on the Republican side and four Democrat aspirants (a couple of whom already have faded into obscurity).

Bush is now the only relevant figure. From his going out on the baseball field and fluffing the first pitch in a ceremony opening the new season, an inordinate amount of close observation is devoted to him. But even when Bush finally sees he can make it to the

White House, he remains a hollow man. Is this the man or is it the style of the telling?

For the overwhelming detail of this book is like a diet of meringues. Here, to take one of a thousand instances, is Dole combing his hair: "Now Dole stood and cranked his left arm around his back, stretching to his right-rear pants' pocket, and pulled out his barber's comb... Four strokes with the comb through the thick black hair... He twisted to replace the comb again and, as his left arm came around front again... the arm shot out ahead of him in a strange, twisting lunge..." And so on.

It is vivid, it is realistic, it is done admirably - the narrative is based on interviews with more than 1,000 people - but this is, properly, the technique of fiction. The inspiration for such writing comes, obviously, from Tom Wolfe: but then, he knew how much to leave out.

WHAT IT TAKES: THE WAY TO THE WHITE HOUSE

by Richard Ben Cramer
Chatto & Windus £20, 1040 pages

PRESIDENT REAGAN: THE ROLE OF A LIFETIME

by Lou Cannon

Simon & Schuster £17.99, 948 pages

THE TURN

by Don Oberdorfer

Jonathan Cape £25, 514 pages

By contrast, *President Reagan* by Lou Cannon, a senior correspondent of the *Washington Post*, is a classic reporter's biography. Balanced, affectionate, but not afraid to be critical, it offers a mature account of the man and his presidency. Reagan, with his crinkly smile and cowboy gait, his quips and his courage and - as is clear

- his ignorance of so much of the affairs of state, never lost the affection of the American people.

Yet, there is a part of the man which no one could reach, not even Nancy (whose supporting role emerges as much more likeable and sensible than has been supposed). He liked to see the bright side of life but he was more complex than is realised: "... he was a classic adult child of an alcoholic who had learned early in life to retreat from discord and unpleasantness." This book, focusing on key episodes of the presidency, offers a series of extended close-ups.

Reagan's greatest achievement was in moving so decisively to bring the Cold War to an end. In another insider's account, *Washington Post* journalist Don Oberdorfer slips in and out of the Oval Office and the corridors of the State Department as if he were there in person. Diplomatic

exchanges and private conversations are reported in detail. The sources are first-hand. The result is informative but the technique, weaving in so much anecdotal material, is rather trite in the end.

The folksy old president, whose simple view of the Soviet Union - as "the evil empire" - set the stage for confrontation in a new arms race, was turned by the experience of super-power diplomacy into a family friend. It was like a happy ending in one of his old movies. At the Washington summit, when he trotted out the old Russian maxim, "trust but verify," Gorbachev protested good naturedly: "You repeat that at every meeting."

When the laughter died down, the old Hollywood trouper replied with a grin: "I like it." The key to these momentous events, which were to transform the former enigma and super-power into not merely an ally but a recipient of American aid, lay in Reagan's own conversion. He saw the new opportunity, rose to meet it, and set the impress of the American eagle upon events. In the process, he confounded the many experts who derided his evident limitations.

Slave trade's market forces

"AS A result of the slave trade, more than 11 million Africans were deposited in the Americas", Walvin writes. "But a huge number did not reach the colonies: millions more died en route to the African coast and on the slave ships in mid-ocean. The 11 million who arrived were the survivors of perhaps more than 24 million enslaved in Africa."

The chief reason why such a massive transhumance of slaves was possible in the first place is that slavery was an established practice in Africa and has indeed survived there to this day. Africans enslaved Africans: the Europeans were the big buyers of the day, who raised the pace of slave trading into a growth industry, complete with solid back-up support systems, including forts at the points of embarkation on African soil.

African chieftains wanted European goods, chiefly guns. Europeans, for their part, needed slave labour, because long before the cotton fields of America's southern states became the symbol of negro slaves' misery, Europe's growing appetite for sugar, tobacco, coffee and rice was turning these from luxuries into consumer commodities. Without the muscles of the African slaves, the plantations in the Americas could not have prospered and the considerable commercial benefits to Europe would not have materialised. Without slavery Liverpool would not have become the boom port it was during the 18th century. Thus, economic forces - then, as now, often a sanitised term for greed - encouraged too many Europeans to bend Christian ethics as to view the African as a

creature somewhat inferior to a human being.

The history of African slaves shipped to the New World begins in the latter part of the 16th century. Abolition of the slave trade by Britain and the US came in 1807. But the trade continued in bootleg fashion well past that date and beyond 1838, when slavery was altogether abolished in Britain.

The appalling degradation the slaves endured, the way to their terminal servitude and thereafter, is well-catalogued here. The main thrust, however, is the mutual influence between the enslaving societies and the emerging Creole culture of the enslaved Africans. Slaves ran away, revolted, had Christianity thrust upon them, but above all they evinced a sustained resilience which eventually enabled their

BLACK IVORY
by James Walvin
HarperCollins £20, 365 pages

descendants to inherit a vibrant ethnic identity.

The process of symbiotic coexistence could often produce fine irony, as in the case of Lady Nugent who, visiting Jamaica in 1803, wrote in her diary: "The Creole language is not confined to the negroes. Many of the ladies, who have not been educated in England, speak a sort of broken English... I stood next to a lady one night, near a window, and by way of saying something, remarked that the air was much cooler than usual, to which she remarked: 'Yes, ma'am, him rilly too brash'."

An irony of graver historical import surfaces in connection



Slaves on a sugar plantation

with the French Revolution, the seismic ripples of which soon washed over the slave and enslaving communities in the Americas to tangle effect a series of armed revolts in the former, fear and repression in the latter. Yet for all the Revolution's message of hope to mankind, French slaves were not emancipated until 1848.

In Britain, the fight for the abolition of slavery often resembled in tone today's argument for a green world. Opposition to it was often voiced with astonishing reasoning: "In 1789, the London MP and former Lord Mayor of London Nathaniel Newman opposed abolition because it would, if carried, fill the city with men suffering as much as the poor Africans. Another London MP, presenting a petition against abolition, thought that ending the slave trade was 'repugnant to every principle of humanity, of justice, of common sense, and of reason'."

With one mild reservation, this is an excellent comprehensive study, containing anecdotal gems which make the book a pleasure to read. The reservation is its seemingly unfocused intellectual framework.

Elon Salmon

Travellers' tales

IN A FAMOUS passage of his *Sentimental Journey*, Laurence Sterne mocks the travellers Smelfungus and Mundungus for the "spleen and jaundice" with which they approach things foreign. Those who take a similarly splenic view of travel will be encouraged in their moroseness by Jeremy Black's account of the Grand Tour, which charts a remarkably diverse array of difficulties.

He notes that "tips were a constant drain" and "venereal disease was indeed a problem." "Some tourists found their drivers and postillions fraudulent, others simply troublesome."

The chapter on War, Disputes, Accidents and Crime offers Black particular freedom to indulge his penchant for disaster. "Travellers fell down stairs, had accidents with guns, and ran the risk of being knocked over in Paris, where there was an absence of pavements."

The Grand Tour in the Eighteenth Century is, however, careful not to ignore those Englishmen and women who, undaunted by the dangers proliferating around them as they progressed around Europe, threw themselves into the pursuit of pleasure. Embarking on a chapter headed *Love, Sex, Gambling and Drinking*, Black is at first discomfited by the lack of first-person descriptions of foreign sexual adventures in 18th century letters and diaries. He suggests hopefully: "Some obscure references in journals may be sexual." One anonymous tourist referred to being "introduced to 25" in July 1754.

Fortunately, such comments are supplemented by the speculations of the English press. In 1725, *Mist's Weekly Journal* declares that the experience of English travellers in Paris "is

generally no more than a journal of how many bottles they have drunk, and what loose amours they have had." The *London Journal* of 1731 noted: "It is highly probable that, by means of our ladies travelling, some of our noble families may be honoured with a French dancing master's son for their heirs."

Black displays surprisingly little interest in the more voyeuristic pleasures of travel. Most 18th century writings about Italy express immense fascination with the custom of incestuous marriage under which a married woman was expected to

THE GRAND TOUR IN THE EIGHTEENTH CENTURY

by Jeremy Black

Alan Sutton Publishing £17.99, 324 pages

form a relationship with a cicerone - a male companion who escorted her to social occasions and devoted much of his time and attention to her.

The book mentions the enthusiasm with which Englishmen participated in this custom, and the fears of one English traveller that cicerones set a bad example to Englishwomen in Italy. It says nothing at all, however, about the elaborate, steamy circumlocutionary speculations of travellers as to precisely what went on between the woman, the cicerone and the landscape.

This is typical of Black's down-to-earth approach. At least, it is concerning nothing with the activities of English travellers' commentators of caricatures and tall tales, with their "savage" and "barbaric" impressions of particular regions. "Rome," he writes, "was regarded as a vast, dark, and gloomy place, full of ruins and monuments, and the people were said to be idle and indolent."

a foreign vice of Mediterranean origin," as indeed was sodomy. Nonetheless, he never shows any inclination to analyse what Edward Said, in *Orientalism*, terms "imaginative geography": the range of themes, concepts and descriptive strategies by which one region of the world is classified as distinct from another.

Black's stolid empiricism does not mean, however, that he allies himself with the old-fashioned anecdotalists who have dominated the study of the Grand Tour in the past. He is, if anything, slightly less indulgent towards the flamboyant, anecdotal digressiveness of travel writing than overtly "theoretical" writers - who usually harbour a lurking fondness for ribald detail and striking turns of phrase. (Said, scrutinising 19th century writings on Egypt, permits himself a moment of mild hilarity at an alarmed account of the dangers of excessive "freedom of intercourse" with the natives.)

In contrast to both theorists and anecdotalists, therefore, Black adopts a tone of extreme sobriety and caution. The main task which he sets himself is that of assembling evidence. His comments on his material are restrained to the point of eccentricity. In many cases, definite conclusions are drawn only when they can be assumed safely to be unchallengeable.

The travellers whom he cites are themselves so ebullient and irrepressible, however, that the flatness of the commentary is, in fact, oddly sufficient. In setting them off, Black is a book to which anyone interested in the Grand Tour will turn for a vast range of carefully ordered material, most of it from sources not available to this general reader.

Chloe Chard

ARTS

Fiction
Unreliable memoir

It sounds harsh but it must be said, Michael Moorcock's "Pyat" trilogy is the finest work to date of a 22nd-rate writer. But wait a second. Given a scale of literary excellence in which the top tier is occupied by Joyce, Dostoyevski and Proust, it is no mean achievement to be classified as 22nd rate.

That corrected perspective is essential for the reader approaching *Jerusalem Commands* (Jonathan Cape, £15.99, 577 pages), because vastly inflated praise has been lavished on the earlier volumes, *Byzantium Endures* and *The Laughing of Carthage*.

Consider these comments by the literary heavyweights. Robert Nye writes that this trilogy "puts Michael Moorcock right into the front rank of contemporary English novelists". Peter Ackroyd insists that these novels "will be seen... as an imaginative record of our own time". Angus Wilson has set the ball rolling as long ago as 1977 when he described the final novel of Moorcock's Jerry Cornelius tetralogy, *The Condition of Muzak*, as "one of the most ambitious, illuminating and enjoyable works of fiction published in English since the war". This work went on to win The Guardian fiction prize. All this does a disservice both to Moorcock and the reader.

Michael Moorcock appears to have jettisoned the SF and Fantasy-powered vehicle on which he ascended to literary stardom. He has 50 or more books to his name, including

the 30 volumes of the *Eternal Champion* (romances, sword-and-sorcery formulae, titles which mined a rich, best-selling seam throughout the 1970s). His career has been almost as protean as that of his brain-child Jerry Cornelius. He has appeared in his time with the cult rock band Hawkwind and he edited the influential science-fiction magazine *New Worlds* from 1964 to 1971.

His metamorphosis from cult science-fiction writer to mainstream novelist and darling of the British literary establishment was effected largely by his book *Mother London*, a series of sharp contemporary commentaries set in his native city, which was shortlisted for the Whitbread Prize.

So what can soberly be said about *Jerusalem Commands*? This latest instalment in the memoirs of Major Maxim Artyukovich Pyatinski of the Don Cossacks, inventor, manqué, cocaine addict, genius and bigot, shows Moorcock at his most assured and entertaining. Its early backdrop, Hollywood in the 1920s, is minutely drawn and convincing. (In sharp contrast to the vague St Petersburg setting of much of *Byzantium Endures*), Moorcock is a picturesque storyteller, at his best when evoking a colourful milieu of this sort (in *The Laughing of Carthage*, his prose creates a fine virtual reality of Istanbul which is sustained for page upon page).

The author's comic deployment of his protagonist Pyat as an "unreliable narrator" is also at its most sophisticated. Its

funniest instances concern Pyat's ephemeral affair with Esme, the teenage whore he rescues from Istanbul's flesh-pots and who follows him to the US, only to abandon him for a rich Mid-Western cattle tycoon as soon as her liner docks at the New York quay-side. The black humour of all this is lost only on Major Pyat. The lonely ravings of the much-travelled, proselytising 80-year-old inventor (running a second-hand clothes store on the Portobello Road in his old age) which connect the narrative episodes are too frequent for my taste; there is only so much anti-Semitism and generally racist cant and rant I can take. These passages are meant to be heavy-handed and self-satirising, but their effect is finally tedious.

The novel takes an unexpected and cruel turn, when it becomes clear that Pyat's film company on location in Egypt is bent on something far more sinister than making a movie about Tutankhamun, thereafter, it was like a bargain-basement Nabokov at work, complete with the blood-spattered horror but without the crystalline purity of prose which alone renders it bearable.

Jerusalem Commands and its companions together form a diverting, sometimes disturbing, often amusing series of novels. The hushed, reverential tones employed to describe them in certain literary quarters are completely undeserved.

Martin Mulligan

WITH *Death and the Maiden*, his play about torture and recrimination, Ariel Dorfman burst on London last year as the most exciting and original voice to come out of South America for a decade. The play is now packing houses in the West End and on Broadway; Dorfman's new collection of stories, *My House is on Fire*, clamours for as wide an audience.

Playgoers will recognise the ingredients. First, the imaginative sweep with which Dorfman depicts his unique world of imagination, pushed to the edge by politics and family conflicts, shocked into life-and-death crises by Chile's regime of terror. Then the buoyancy and physicality and whooping beauty of the prose, racing along at breakneck speed, its psycho-thriller pace punctuated by reversals, reflections, satires.

Are the children playing house in the title story hiding from a real or imaginary enemy? Is the soldier-boy returning to confront his comrade father in for a worse shock than the one he is to give? Dorfman pares down to essentials, then twists away from the suspense he has been building up, into a new climax. It's a technique perfect for the line, concentrated story, as is his ability to create character and define narrative consciousness through an individual's language and tenor.

Everyday emotions from Oedipal conflicts to petty vanities are set against a backdrop of real fear. But the ironic edge never lets up, making Dorfman, like Nabokov, a writer's writer, as well as a storyteller of almost mythic intensity.

At the edge

Rachel Ingalls is a more tentative, quiet writer, but as with Dorfman, her mastery of the short story lies in a sense of when to turn the fictional screw at an unpredictable angle. Her characters, troubled mid-Atlantic spirits, are moody and uncertain; she shows them

MY HOUSE IS ON FIRE
by Ariel Dorfman
Methuen £13.99, 167 pages

BLACK DIAMOND
by Rachel Ingalls
Faber £14.99, 279 pages

THE JEWESS
by Irene Dische
Bloomsbury £14.99, 213 pages

tumbling to awareness in give-away moments - booking a holiday, intercepting a letter, falling in love - which unless nightmare consequences, from murder and plane crashes to lost babies and a wedding in a madhouse.

"The Archaeologist's Daughter", about a girl whose fears of adulthood last to her thirties and are symbolised by black-mail from a possibly illegitimate sister and a group of Egyptian statue-collectors, is the best; reserved, fastidious style, slow rhythms, balance horror and magic. The effect is of an Anita Brookner character transposed to Thomas Pynchon land. When she can manage

the descent from the normal to surreal, keeping a veneer of logic, Ingalls is idiosyncratic and enjoyable. But too often she wallows in sentimental farce, as in the story of the adopted boy who searches out his true parents only to kill them in an incestuous orgy.

Ingalls is one of a cluster of American women writers whose short stories are being trumpeted to English readers by Faber. Zany yet cautious, Ingalls has her own style; she also has an unerring feel for social and period settings; the pressure of the optimistic, puritanical 1950s on teenage lovers; the cultural knowledge of an arty family with homes in Switzerland, Paris and New York are both evoked with a few deft strokes.

The subtitle of *The Jewess*: *Stories from Berlin and New York* reveals the trouble with this collection. A flurry of defectors and clandestine operators; a candle business from Dresden; an ageing American virgin turned rapist on the Kurfürstendamm - American writer Irene Dische lets rip with trendy Berlin settings, but all the east-west tensions of a thousand collapsed iron curtains won't fire the imagination. If the writer cannot transform her material beyond travel brochure titillation.

Occasionally she forgets about local colour, as in "The Passion of Nanny Jackie", about a nanny who nurses a poet in his last months, and an individual voice seems on the point of emerging. But mostly this quirky talent is lost in Dische's gushing High School enthusiasm for her adopted city. Buy a guide book instead.

Jackie Wullschläger

Crime
Peak form

cal setting virtually creates the criminals and the crimes. This book is irresistible.

For many of us, Los Angeles is just as exotic as New Mexico has a good deal less alluring. Fortunately, the Police Department, as represented in John Pears's *The Berlin Bust* (Gollancz, £13.99, 192 pp), is much more acceptable than the real-life racist bullies seen on a famous amateur video some months ago.

Pears's story takes place in the artificial world of ultra-rich philanthropists, ambitious museum directors, scrupulous and less scrupulous art dealers. The English expert, Jonathan Argyll, and his Italian beloved, Flavia di Stefano of Rome's Art Theft Squad - this is their third Pears appearance - deal with the real-unreal California art scene nonchalantly and effectively, then wisely catch the first plane back to Italy.

Michael Kenyon works for laughs more obviously, but he gets them and deserves them. In his latest, *Peckover Joins The Choir* (Macmillan, £13.99, 324 pp), the poetaster Chief Inspector Henry Peckover and his expensively educated black

associate, Detective Constable Jason Twitty, are obliged to join an amateur provincial choir, learn a demanding programme ranging from Anon to Mozart to G&S, and - what's more - catch a crook and deal with a murder in Ghent.

There, they have to establish a liaison with the Belgian police, partly represented by a fiercely bigoted sergeant. Kenyon has a lot of fun with his characters, Brit and non; and Peckover and Twitty continue to constitute an engaging and persuasive pair.

Perhaps because of the built-in shock created by crime in a church, murders in ecclesiastical ambiances have long flourished, and *The Snare of Death* by Kate Charles (Headline, £15.99, 281 pp) is an excellent example of the sub-genre. The author cuts a broad swath, taking a wry, impartial view of Animal Protectionists, high Anglican Catholics and simoniacous Evangelicalists, dubious TV art historians and filthy-rich factory-farmers.

Juggling half-a-dozen stories at once (and all of them interesting), Kate Charles skimps on the actual murder story itself so, after some leisurely, digressive storytelling, the solution arrives in a rush; but never mind, love conquers all, the book ends with a happy feast, after the wonderful piece - the National Pilgrimage to Walsingham - which is the novel's climax and great achievement.

William Weaver

IT HAS been an oddly unsettling summer at Bayreuth. The "younger" generation of the Wagner family (most of them now comfortably middle-aged) launched an attack of unprecedented vehemence on Wolfgang Wagner, the composer's 72-year old grandson who has run the festival single-handed since the death of his brother Wieland in 1966.

By opening its doors to Plácido Domingo, Bayreuth succumbed to star fever, prompting questions about how far the festival is moving down the road of commercialism. Otherwise this year's performances failed to generate much heat (notwithstanding baking temperatures in the Festspielhaus), largely because for the second year in a row there were no new productions.

And yet the artistic balance sheet has been unexpectedly positive - not just in *Der Ring des Nibelungen* and *Der fliegende Holländer*, the relative merits of which have been extensively discussed on this page in past summers, but in the more unlikely area of Wolfgang's own productions of *Tannhäuser* and *Parsifal*. Originally staged in 1965, *Tannhäuser* returned with a new cast and conductor, and some modifications to the decor. The *Parsifal* staging has matured since its rocky debut in 1969, and has been transformed by Paul Klemm, singing the title role for the first time at Bayreuth (before being shunted aside by Domingo for the final two performances).

It has become fashionable to dismiss Wolfgang's productions as out-of-date, a pale imitation of the New Bayreuth style pioneered by Wieland. His approach certainly has not changed much since the 1960s. The decor for both works - neither abstract nor naturalistic - is austere geometrical, with dim lighting and a thin wash of colour; the static (and sometimes wooden) poses adopted by the cast make a stark contrast to the current German vogue for extreme mobility.

exemplified by the Kupfer Ring; and the choreography of the flower-maidens and Venusberg scene is banal. But what these productions lack in novel interpretation, they gain in their focus on timeless symbolism. There is no gimmickry, no ideological baggage. They have a kind of pre-ordained logic, achieving their goal by simplified understatement.

This works especially well in the Grail scenes of *Parsifal*, which are set in a gloomy hexagonal mausoleum and benefit from a strong sense of communal ceremony. The knights' silent ritual, married to Wagner's serene music and the unique Bayreuth acoustic, seems to inhabit its own time-world, generating a glow which is not easily dismissed or analysed - even after the audience has spilled out of the side-draws for the first interval. No other theatre (nor Götz Friedrich's anti-traditional Bayreuth production of the 1980s) offers a comparable experience.

Some sequences in the production have been profitably reworked since it was new, but the main improvement comes in the casting of Paul Klemm as Parsifal. The Danish tenor brings to the part the same qualities of musicianship and stagecraft which have so distinguished his Siegmund, Tall and lanky in stature, he showed just the right kind of disingenuous pleasure at the flower maidens, swarming round him like the tentacles of a sea anemone. He met Waltraud Meier's radiant Kundry on equal terms in Act 2, and carried off the last act with dignity.

The voice never sounded less than fresh and free, while his diction and phrasing were exemplary. With a Parsifal as natural as this, who needs Domingo? And yet it is the Spanish tenor's face - with the identical furrowed look that invariably graces the covers of his opera recordings - which is plastered around Bayreuth's shop windows, and will no doubt form the centrepiece of the video of this production.

Andreas Schenk was the other newcomer, an experienced and reliable Bayreuth performer who made a more



Paul Klemm as Parsifal in this summer's production of Parsifal

Wagner contra Wagner

Andrew Clark on dramas both on and off the stage at Bayreuth

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Andreas Schenk was the other newcomer, an experienced and reliable Bayreuth performer who made a more

sympathetic Gurnemann than Hans Sotin, but was still far from ideal. Bernd Weikl repeated his noble Amfortas and James Levine was once again the conductor. The self-conscious slowness of previous years has disappeared, the music was spacious, seamlessly unfolded but never belated. And the orchestral playing was faultlessly clean. With the Bayreuth chorus at its glorious best, the performance had many solid virtues.

So too did *Tannhäuser*. Donald Runnicles, in his festival debut, offered a characteristically dynamic account of the score, whipping up the Act 2 choral procession into a frenzy, turning the Act 3 prelude into a soft, world-weary lament, emphasising the music's brilliance and extreme contrasts of mood: a young man's Wagner. The focus on episodic pleasures, however, tended to overshadow the wider span.

The new *Tannhäuser* was a little-known tenor from Düsseldorf, Wolfgang Schmidt, capable actor with the right vocal stamina. His singing was secure and stentorian but lacked elegance. Tina Kiberg's tall and slender

Elisabeth was a pale substitute for Cheryl Studer when the production was new. Elke Wilmschulte, one of Germany's most eloquent baritones, proved a curiously ineffective Wolfram. The other Minnesingers, including Ekkehard Witschalla as Bitorof, were handsomely cast, and the chorus again played an outstanding role.

So it has been a year for appreciating Bayreuth's traditional strengths. But the debate about the festival's long-term direction - and particularly what will happen after Wolfgang goes - has begun in earnest, with the German press stirring the issue like a British royal scandal.

The immediate future is clear: the east German dramatist Heiner Müller, who has never staged an opera before, will produce *Tristan und Isolde* at the 1993 festival, and Domingo will sing all *Parsifal* performances (with Deborah Polaski as Kundry). The following year, when Wolfgang turns 75, will see a new contract by Levine and stagehand Witschalla as Bitorof, were handsomely cast, and the chorus again played an outstanding role.

Sing a tale of Europe

B RUNO Schulz was a Polish artist and writer of short stories in the period between the two world wars. He was shot in the street on his way home from the bakery by a member of the Gestapo in 1942.

He inhabited, and seldom left, a city called Drohobycz in what used to be called Galicia. There was at least one event which brought the place into the news: oil was discovered nearby and there was a kind of Klondike. The Street of Crocodiles, full of western commercialisation, grew up in the inner city as a result.

If you knew all that before, forgive me. It was unknown to me until I looked it up in the past year or so. Indeed the only reservation about the new production at the Cottesloe is that, without some of the background information, you may find it difficult to follow and possibly incomprehensible.

The Street of Crocodiles is the title of one of Schulz's best-known stories. Here, however, it is used in very general terms. The play throws in lots of his tales, most memorably one called *August*, and is presented partly as a biography of Schulz. As in his life, he is shot at the end, though not as far as I could see by the Gestapo: the execution seems to come more from the stifling atmosphere in which he lives.

Simon McBurney, the director, writes in a programme note that Schulz's writing "provides no obvious key to dramatisation". This production by Theatre de Complicite, of which McBurney is the founding head, comes up through the National Theatre Studio, where they experiment, question every word and generally make it up as they go along. It is the same process that recently produced a magnificent *Uncle Vanya*.

Crocodiles in its way is magnificent, too. There is a wonderfully sustained musical accompaniment, composed and adapted by Gerard McBurney (brother of Simon) which certainly reminds us in what part of Europe we are. There is some remarkable staging. At the start, one character walks down a vertical wall, pausing only to put on his hat. Another



Matthew Scurlfield (left) and Cesar Sarachu

emerges from a dustbin that looks far too small to have concealed him.

The technique is that about every 10 minutes everyone goes into a frenzy. There is almost as much physical movement and dance as dialogue. Yet this is not appropriate to the world Schulz describes in his stories. Here is a family subject to internal and external strains. Joseph, the son and plainly Schulz himself, is a quiet intellectual, still impressed by his father, once a dry goods merchant, now an amateur scientist fascinated by insects and eggs. Around them is a collection of women, hangers on and half-wits. It is also Poland in the 1930s. There is the recurrent sound of marching feet. So it is not surprising that they all go wild from time to time.

It is less clear why the tone and the music should become increasingly religious, though apparently this was a turn taken by Schulz later on. There is no obvious gain in playing a lot of the lines in German and some in Spanish unless a) the dialogue does not mean too much or b) the Cottesloe audience is more multilingual than one imagines. For all the central European claims, *Crocodiles* struck me as rather Irish.

This is an ensemble production, not to mention Cesar Sarachu who captures the loneliness of Joseph. The other abiding memory is of the faces of the women: Annabel Arden as the mother, and Lilo Baur and Hayley Carmichael as the maids. Schulz has a line in the *Crocodiles* story about all the girls having a flaw in their beauty. All of these actresses demonstrate physical and facial acting to perfection: squints and all.

Malcolm Rutherford

Airs in the castle

S UMMER chamber-music festivals proliferate. Leading musicians, whether singly or in groups, long to step off the international concert circuit of one-night stands in far-flung cities; and when the weather improves, the craving to come to roost among like-minded spirits for music-making is especially acute. The circumstances grows in parallel.

The inauguration of the Marlboro Music Festival in Vermont in 1950 was Rudolf Serkin's method of satisfying just such a desire; other methods have been found by - to name only a handful - Richter at the Granges de Meslay, Hermann Prey at Hohenems, the Sibelius Quartet cellist Seppo Kimmunen at Kuhmo, and most recently András Schiff at Montseix.

Indeed, the number of lively vibrations on the theme prove that the combination of special place, programme rationale and performers can when successfully judged, hold a precious appeal for artists and audiences alike.

A new Swiss festival can be added to the list. It is the Kyburgjazz, which owes its name to the castle (8 miles south of the city of Winterthur) in whose courtyard most of the events are held. It has been devised by Stephan Goerner, cellist of the Zürich-based Carmina Quartet, and consisted of a Thursday-to-Sunday succession of five concerts with a tight thematic binding to their programmes (music of the 1824-29 period).

The cast of players was limited: the Carmina, the Hagen and Schiffr, sudden breezes impishly turned scores of the Beethoven B flat quartet, Op. 130. Insects stung bowing hands during the Schubert Quintet (for the rest of the festival the entire platform was rubbed down with insect repellent).

During the second, given by the Vogler, distant lightning began to flash, and after the interval a fierce wind brought a magnificently concentrated account of the Schubert G major quartet to a midpoint close: the Swiss Radio microphones - all the concerts were being broadcast live - had been insufficiently weighted, and were about to crash down upon the players. Winds, again, blew and clouds gathered during Sunday evening's Carmina finale: the threat of storm (though realised only next morning) lent urgency to the proceedings.

In spite of every such hazard the spirit of chamber music flourished in this outdoor

century Schloss Kyburg itself is the second - up a winding cobblestone pathway, across the fortified entrance, and into a superb enclosed courtyard resting beneath fortress towers, bright-painted half-timbered walls and geranium-filled window boxes.

The mixture of imposing and inviting physical features is exactly balanced, as it generally proves to be in all the best festival locations; one feels exhilarated merely by being there. But the make-or-break issue is, of course, acoustics. The courtyard offers warmth, surprising intimacy. As a youth, Goerner, a Winterthur native, attended summer serenades there and dreamed of making the place his own musical home.

The Carmina has now joined the elect among the world's quartets and the dream has been made flesh - with the assistance of (it appears) every living Goerner relative and friend, and with a liberal dash of the Swiss genius for organisation that is efficient without being overbearing.

A wooden platform, resting over the courtyard fountain, serves as centrepiece for the 900-or-so seats spread in a round. The exposure to the skies gives delight as evening falls; it also made for unscripted dramas during all three Kyburg evening concerts. During the first, given by the Hagen and Schiffr, sudden breezes impishly turned scores of the Beethoven B flat quartet, Op. 130. Insects stung bowing hands during the Schubert Quintet (for the rest of the festival the entire platform was rubbed down with insect repellent).

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In spite of every such hazard the spirit of chamber music flourished in this outdoor

"chamber". The programme provided a continual source of stimulation in forging links between the carefully juxtaposed programmes.

Similarly, there was continual interest and illumination in contrasting the technical styles and interpretative modes of address of the three quartets: the Hagen, lyrically relaxed (sometimes to a fault); and the first violinist's intonation wavered far too often; the Vogler, athletic in the very best sense, building up an energy in their Beethoven Op. 135 that was at once vigorously intellectual and thrillingly physical; and the Carmina, whose breadth of phrase, close-blended ensemble and unforged corporate musicianship joined to communicate interpretative maturity of the richest and deepest kind.

Above all, the four days offered cumulative testimony that the festival ethic, when treated as an ideal rather than merely a tourist attraction, retains imperishable cultural value. Future Kyburgjazz will surely expand their programme range and length, will no doubt deal with the incursions of the elements hardened by this year's alarms and excursions. The basis of the enterprise is already firmly founded, and the future looks bright.

Max Loppert

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ARTS

Quest for the bare essentials

Susan Moore meditates on the uneasy British attitude to nudity in art

THE British have never been entirely at ease with the idea of nudity – even in art. The moral authority of the classical or Renaissance nude, no less, failed to assuage the lurking sense of shame or embarrassment that had its roots in the chill climate of puritanism. Witness the vast plaster fig leaf that used to be hooked on to the cast of Michelangelo's *David* every time Queen Mary visited the V&A.

For its second display in the "Crosscurrents" series, the Tate Gallery dips into the irresistible subject of the nude in art. The 22 paintings, supplemented by two sculptures, are drawn exclusively from the gallery's holdings. Revealingly, they constitute virtually its entire holding of nudes by British artists.

William Etty, unusually, delighted in the art form, attending daily life classes at the Royal Academy Schools long after his student days were over. His depiction of the tale of Candaulus, King of Lydia, exhibited in 1830, is typical of the subjects from classical history that allowed him to clothe his nudes with a modicum of respectability.

Herodotus records how Candaulus, being so proud of his wife's beauty, insisted that Gyges, his favourite officer, should spy on her in her nakedness. Etty audaciously places the Queen centre-stage and paints her as a voluptuous full-length nude, albeit viewed from behind. In its hot, sensual colour and succulent glazes, it harks back to the great Venetian and Flemish masters. It was far too suggestive of the pleasures of the flesh: the picture was deemed indecent.

Perhaps the inhibited viewer was also affronted by the Queen's revenge. Having sensed Gyges' presence – as we see here – she later summoned the soldier to offer him the choice of dying himself or murdering the king and taking the kingdom – and her as his bride. He chose the latter course. Poor Candaulus. Poor Etty. "I have been accused of being a shocking and immoral man," the artist lamented.

Etty marks the end of one great European tradition and hints at another. Beside this contrived Candaulus hangs a striking life study. Although the model is still idealised, and her features discreetly lost in shadow, it has an honesty and a substantiality that prefigures Courbet. Only a Courbet, however, could have the temerity to take a life study and call it a finished work of art.

Etty is the first artist here to take on the earthy realism of the French. He wanted his art to deal "joyously with gross material facts". He depicts *La Hol-*

landaise – Balzac's prostitute – as her customers might have found her, lying on a bed, with her breasts, thigh and calf catching what little light there is in the expectant gloom of a small, shabby room. The picture positively reeks of sex.

The pitch of eroticism wavers between the steaminess of Sickert and the chaste *Love Locked Out* of 1889 by Anna Lea Merritt – although eyes less innocent than Mrs Merritt's might find homo-erotic appeal in her youthful Cupid. The picture is in fact a memorial to her husband who died three months after their marriage. Etty whets the voyeur's appetite, Mark Gertler offers the male fantasy of the harem. His odalisque is a hideous, over-ripe and ruddy-tongued creature, a real poor-man's Renoir. Contrast her with Sir William Nicholson's truly sensual stretched-out wife.

Lord Leighton's bronze *Sluggard* has languor, Susan Uglow's *Zagi* a cool objectivity. Dod Proctor's Impressionistic orchard scene is the only erotic female nude here painted by a woman.

Mrs Merritt and Maurice Greiffenhagen perpetuate the Renaissance notion that any concept or emotion could be expressed by the human body. There is an affecting tenderness too in Victor Pasmore's intimate oil of his wife curled up on the bed, her flesh stroked by gentle touches of pink, yellow, white and grey. That emotion is given monumental expression in Glynn Williams' *Ancaster stone waking couple*, who lie side by side, holding hands and touching feet.

The nice distinction between nudity and nakedness is exploited this century. Steer's seated nude of around 1900 was indecorous because his model, by wearing a fashionable black hat, made it clear she did not represent a classical ideal but a modern woman who had taken her clothes off. Gwen John's *Nude Girl*, painted a decade later, is not idealised, unmistakably naked and uncomfortable. Perhaps the ever-sensitive Gwen John remembered her own experiences as a model.

The academic practice of drawing and painting the nude from life may have survived (and accounts for many of the canvases here) but the notion of perfecting Nature had long gone. The nude was hauled off her pedestal and not so much recorded warts and all as bared, and exposed. In the recent Lucian Freud here, the human body is less exposed than interrogated under harsh electric light, and brutalised by pigment.

What unites the realism of Freud, Auerbach and Uglow is an intense, intrusive scrutiny. Their canvases sometimes take years to complete. They seem to believe that if they look long and hard enough they may find the essence of their subject.

Uglow's scrutiny is more dispassionate. In one sense *Zagi*'s carefully observed and meticulously placed flesh tones are not so far removed from the art-for-art's sake harmonies of the equally remote *Reading Girl* by Théodore



Standing Female Nude by William Etty, who, unusually, delighted in the form

dore Roussel (an honorary Brit because he studied with Whistler). Yet he, too, attempts to pin down his quarry. His eye has a precision that might almost come from focusing through the cross-wires of a telescopic sight.

"The Painted Nude: From Etty to Auerbach" continues at the Tate Gallery until December 7.

Off the Wall Pressure builds on opera chief

IS THERE a conspiracy to oust Jeremy Isaacs as director-general of the Royal Opera House? The evidence is impressive. In the past few weeks there have been three leaks to the media, all of them light on fact but all calculated to undermine his position as the Covent Garden board prepares to consider his re-appointment.

The first emphasised the personal antagonism between the rumbustious Isaacs and his equally robust paymaster, David Mellor, the heritage minister. The report was denied vigorously, especially by Mellor. Then there was the flounder that the government wanted to close down Covent Garden and the English National Opera and build a new opera house on the South Bank. Since the suggested site was impossible, the cost laughable and the outcry fast and furious, the only result of the story was to hinder badly the rebuilding plans of both opera houses.

Then this week, the committee led by Lady Warnock – which is investigating, for the Arts Council, the running of Covent Garden – was said to have produced a report stating that the opera house was run "with incredible amateurism" and that "the only thing to do is to shut it down and start again." Since the Warnock report is yet to be written, and will not go into personalities, its widely-publicised phony details merely gave the "Isaacs must go" bandwagon another push.

So where did the canard come from? The Warnock committee is drawn from the Great and the Good and members do not look at all like leakers. The Arts Council is the obvious alternative. It sometimes thinks out loud about what it could do with the money – £18.9m this year – it gives its largest and most troublesome client.

The council, however, is still a conscientious English quango which tends to be reactive rather than active. Its chairman, Lord Palumbo, has never shown that degree of interest in Covent Garden. As for Mr Mellor, although he loves putting rockets under established institutions and would not lift too many fingers

to save Isaacs, he hardly has the time, energy or small-mindedness to organise a coup. Perhaps the biggest argument against a vendetta is that Sir Angus Stirling, chairman of the Covent Garden board, does not believe one exists. "We are a goldfish bowl," he says. "The media love speculating about us."

But there can be a crisis without a conspiracy, a groundswell of hostility which encourages rumour. There are many in the arts establishment who are fed up with Covent Garden. The other Big Three – the RSC, the National Theatre and the ENO – seem to have sorted themselves out, but Covent Garden lurches from one cash shortfall to another. Isaacs, pugnacious and verbally unrestrained, naturally attracts criticism. He is the bear to be baited and his position is becoming intolerable.

He is ordered by the Arts Council to clear his £3m deficit; he can do this only by putting up seat prices. This then draws the wrath of Mellor, who wants Covent Garden to be more accessible. His new productions are torn apart and his programming compared unfavourably with the ENO; but when, this year, he notches up a string of critical successes, he is upbraided for not being popular enough in his repertoire. The high attendance figures for Covent Garden, even though below target this season because of the recession, invariably are ignored.

Everyone agrees the basic problem: Covent Garden is under-funded. If it received as much subsidy as equivalent European opera houses, its travails would disappear from the headlines. But there are other, less important, problems which it could remedy.

It could be more charming to sponsors and potential sponsors; it is not surprising that it has attracted no corporate backers for its 1992-93 new productions. It should have grasped the nettle of the unions years ago: if failed to implement the labour savings suggested in the Priestley report, and the Warnock report, will not allow it to forget that. Isaacs' management style, once seen of the wall, which can provoke unnecessary conflict. If there is a strike this year over the Garden's projected pay freeze, it could be interpreted as a sign of past weakness rather than present resoluteness.

And, of course, there is the question of timing. The real threat to the future of Covent Garden is the condition of its building. Its redevelopment plan just missed the last property boom and looks a dead

duck. But the opera house needs renovation: indeed, so bad are conditions backstage that there is a danger it will be closed down as a safety risk.

The Warnock report is likely to be critical but factual. It will arrive in September, at the same time as Covent Garden's own analysis commissioned from accountant Price Waterhouse. On the basis of both, the board will decide Isaacs' future. It could bluff it out and re-appoint him; the Arts Council would accept the situation. But the board must know that, if it did replace him, it might get more money on the lines of a new team and a new strategy. There could even be a government promise to underpin the redevelopment plan. Mellor undoubtedly wants Isaacs to go.

But the possibility exists that, if there is a total rethink, the days of a high-profile impresario as director-general would be over. After all, the three companies – opera, ballet and Birmingham Royal Ballet – which share the Covent Garden subsidy all are run by their own artistic directors.

Could the opera house perhaps get by with just a general manager, a super accountant who looks after the money while the creative trio deliver on stage? Of course, this is moonshine and, in practice, a firehouse would emerge. Since opera attracts most of the attention, it would almost certainly be Nicholas Payne, the much-lauded new director from Opera North who arrives (provisionally) at Covent Garden next summer – just before Isaacs' contract expires.

FOR ONE day last week you could hardly move at *Sovereign*, the exhibition at the Victoria and Albert Museum which provides a "peek show" of the Queen's home life. The screening the previous evening of the television programme *Elizabeth II* left more than 1,500 royalists panting for more.

For a moment, the museum hoped that attendances were finally picking up at what has proved one of the more disappointing shows of recent years. The three sponsors – Pearson, Reed International and the Daily Telegraph – must have heart-brokenly pondered that the cash tide would ring and their guarantee against loss, which eventually totalled £1.8m, would be scaled down. But when the money is counted, they seem reconciled to paying just under £1m for the privilege of backing *Sovereign*. The target was 2,000 admissions a day, but attendances are likely to average just over 1,000 when the exhibition closes on September 13.

Antony Thorncroft

Record Review/Ronald Crichton

Milhaud and Honegger

TWO of the century's leading composers, Darius Milhaud and Arthur Honegger, celebrate their centenary this year. About the least important thing about them is their belonging to the short-lived group Les Six. Even during the early Twenties Milhaud and Honegger wrote much music that had nothing to do with that remarkably successful PR operation. None the less they were regarded as pillars of the avant-garde, surviving that precarious status to become respected figures.

Honegger died in his sixties, Milhaud outlived him by 30 years. He wrote such a quantity of music that it is hard to find one's bearings. The shoal of recordings published for the centenary, some new, many transfers to CD, give a fair idea of his range and versatility. So many works are involved that one cannot name them all, let alone give a complete list of performers.

The two single-disc "volumes" *The Darius Milhaud centenary on the Praga label* are live performances recorded in Prague over the past two

decades – Milhaud's music has long appealed to Central Europeans. Two distinguished visitors are included among the Czech performers. Many of the recordings, like the fine *Violin Sonata no. 2* of 1916, were made at a time when technical means were limited. Rough surface does not dull the passionate playing of the Belgian violinist, André Gerlet. This first "volume" (PR 250 007) is titled, not quite accurately, "The only work from the ambience of Les Six is the inescapable *Le Boeuf sur le toit*. In this, and in the *Carnaval d'Aix* for piano and orchestra, rhythms are a shade stiff – a reminder that Bohemia is a long, long way from Brazil.

The second "volume" (PR 250 008), is all chamber music. It includes the familiar *Suite d'après Corréntin* for three winds and the irresistible *Chansons*

de nègresse sung by Brigitte Fassbaender. Most valuable, because it is becoming clear that his choral music is among his finest, are the *Two Poems by Blaise Cendrars* for unaccompanied voices.

There are two striking choral works among Chant du Monde's Darius Milhaud (LYC 278 1089). *La Mort du tyran* ("The death of the tyrant") is a setting of an extraordinary piece of rhythmic prose by Diderot, from the Latin, describing the Roman mob furiously clamouring for a successor to an unpopular emperor. *Le Château du feu* ("The castle of fire") was written later, after the holocaust, for a big manifestation in honour of the French Resistance. Small orchestra, antiphonal chorus, grinding dissonance. A disturbing, harrowing work. The ever-welcome *Suite provençale* brings back, likewise the

miniature song-cycle *Catalogue de fleurs*, limpidly sung by Irène Joachim, a famous Miliand whose name is not given. Nor does one find the names of the bodies who, under the composer's direction, sing and speak the two choral works so ferociously. Also new is DG's record (435 437-2) of the *Symphonies Nos 1 and 2* with the invaluable Michel Plasson conducting the Capotile Orchestra of Toulouse. These symphonies come from the series for large orchestra begun in 1939 with a commission from the Chicago Symphony Orchestra. They are distinct from the earlier "chamber" symphonies, one of which is included in the first Praga volume. Textures tend to be thick and busy (it may be relevant that Milhaud admired the paintings of Kokoschka) but there is plenty to enjoy once you accept that he wasn't

writing in the Viennese classical tradition. The purely Mediterranean side of Milhaud can be heard in his piano music, much of it simple, presumably intended for private use. In the disc from Arcobaleno (Darius Milhaud 1892-1974, SBCE-5400) there is an engaging, lyrical melancholy about the two *Printemps* suites and *Automne*, the latter written after a visit to Portugal. *Automne* ends with an "Adieu" as haunting as a distant fado. The sympathetic pianist is Billy Eidl.

The other centenary, Honegger, makes his appearance on a Pearl disc (Honegger and Milhaud conduct their own music, GEMM CD 9458) which revives some very old memories. Honegger's once celebrated picture of a steam locomotive, *Pacific 231* remains a successful genre piece. The companion piece *Rugby* is less

convincing. The main attraction is Milhaud's *La Création du monde*, a smoky masterpiece made out of blues and Bach. It was this performance by crack French wind players that won me for Milhaud's music years ago.

Honegger takes the stage by himself in the Erato transfer to a single CD (2292-45800-2) of the 1971 recording of the once widely popular "symphonic poem" *Le Roi David*. Charles Dutoit conducts, with Eda-Pierre and Eric Tappy among the soloists. This is Honegger at his most Swiss – skilled, solid, wood-smelling craftsmanship and fresh if not blazingly vital ideas. The original scoring for chamber orchestra is used. It proves surprisingly effective, especially in dramatic moments where one might expect the contrary (the scene with the Witch of Endor is one example). Even with Jean Desailly to speak them, the narrations somehow suggest a grown-up *Peter and the Wolf* (receptive was right out of fashion). But for much of the time *King David* still makes good and grateful listening. The transfer is admirably done.

Radio/B.A. Young Bowled over

Earlier on Sunday, on Radio 4, was Colin Douglas's *Smart Buy Wanted*, also about men at work. Action shifts between five candidates for a Senior Registrar's job in an Edinburgh hospital, and their superiors upstairs who will make the choice (rightly depending a little on Rugby ability).

It is rather like a quiz, with the result as elusive as an Agatha Christie. Medical chat is not as entertaining as cricket chat, but insiders may have been amused. The director was Patrick Rayner.

More important drama (I am enjoying my own Summer Season) came on Radio 4's Monday play, *Martyn Wade's The New Party*. This is a survey of the eponymous New Party of the Thirties, as it affected its leaders, Sir Oswald Mosley ("Tom" to his friends) and Harold Nicolson, then running the Londoner's Diary in the *Evening Standard*.

Nicolson (whose voice older listeners will recall too well to

accept any other, though Christopher Cazenove is convincing) is more fully drawn than Mosley, for we have Vita Sackville-West in the margin. Neither is as fully drawn as they both have been since, for they must be seen as the potential electors of the time would have known them.

Mosley's Youth Movement, his newspaper *Action*, (which Nicolson kindly, but unsuitably, edited, complete with Vita's Gardening Page), boxer Kid Lewis vetting callers at the office, reveal him as a potential Hitler, though Mussolini was the top Fascist of the day, and that was where Mosley got his ideas. "Solidarity" was what he picked up from his visit to Rome.

The New Party won no seats, and the author hardly puts enough emphasis on the public disturbance its political activities caused.

In due time Mosley went to jail, then to exile.

This account of their activities was full of interesting detail, especially, no doubt, to those strange to the period, but it had not enough human concern to make it even a Shavian play. Cherry Cookson directed.

Before I quit my Summer Season, a word for Nigel Baldwin's *Cordoba*, a six-part serial thriller that began late on Thursday. Alison Steadman (I always wait up for her) plays D.T. Mitchell, an undisciplined woman reporter on a Welsh newspaper. We have two good deaths already. Jane Dampney directs.

Besides drama, I listened to two science programmes. On Radio 3, Lewis Wolpert talked with Professor Jared Diamond, who is both a molecular biologist and an ornithologist. He had good things to say about the difference between the field sciences and lab sciences. Clearly field sciences were favourite; he rhapsodised over the bower birds of New Guinea, and he called Rutherford "despicable, destructive".

On Radio 5's *Rock Solid*, Anna Grayson's geological tour of Edinburgh was for Fossils, but a bit short in describing the unusual items she told of.

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A DEAR friend, whom I shall have to tell Mrs A. was startled at a recent cocktail party. A woman, who had never met my friend before, said to her in a tone of strictest confidence: "My dear, have you heard, the Prince of Wales is having an affair with Mrs A..."

"Well," my friend replied, when she regained her composure: "I am Mrs A... and if the Prince of Wales is having an affair with me, he could at least have had the courtesy to let me know."

At this point her interlocutor retreated in some confusion. But my sympathies are partly with the gossip. If she had addressed her fatuous remarks to any other person - with the exception of the Prince of Wales himself - she could have been sure of a credulous response.

Prince Charles is seeing . . .

Dominic Lawson spills the beans about the secret life of gossip

The information would soon have been hurled around *le tout Londres*. Indeed it is quite likely that many of Mrs A's friends had already been apprised of the non-existent scandal - and were talking to each other of little else that week.

It does not take long for society - which in these undiscriminating times includes the higher ranks of the journalistic profession - to be utterly convinced of any number of imaginary illicit relationships. Of course it may be that one or two of them may happen to be real. But how would anyone actually know that X was Y's lover? There really is such a thing as "just good friends".

In the days when divorce was almost impossible to obtain without evidence of adultery, it was necessary for the "guilty party" to contrive to be observed - usually by a private investigator - in flagrant *delicto* with the lover. Nothing else would satisfy the court's desire for genuine evidence.

The same degree of proof tends still to be demanded by the libel courts, which is why the journalistic element of café society is reluctant to publish even a fraction of what they claim to know about the love affairs of the famous and high-born.

In a way it would be much better for the victims of gossip if the libel

laws were less demanding. Once the little tattle has appeared in print it is at least possible for the victims to damn the stories publicly as lies. Instead they are subjected to an interminable whispering campaign, which it is as easy to counter as it is to shoot a ghost.

In the corridors of the Palace of Westminster and in the air-conditioned open-plan offices of Fleet Street's diaspora the names of mistresses of the most senior cabinet ministers are handed about innocently by the know-alls who know nothing.

Lower down the gossip ladder the names of these phantom women are less readily available. Instead

one is told that Cabinet Minister X's girlfriend "is black and lives in Brixton" as if such apparent detail was proof that there must be something in it.

The recent "revelation" in the tabloid *New York Post* that George Bush had had an affair with Jennifer Fitzgerald, the deputy chief of protocol of the White House, perhaps came as something of a surprise to the US people, but was stale, stale news to the cocktail party whisperers on both sides of the Atlantic. Why, everybody knew that.

Of course they did not know it, and now that the *New York Post*

- operating in a country with relatively lax libel laws - has tried to do its bit for the Democratic presidential campaign, Bush has for the first time had the opportunity to denounce as a "sleazy lie" one of the shiniest old items of Washington gossip.

It being August we are unfortunately in the height of the gossip season: the vacuum of real news is the environment in which trivia seem of compelling importance.

So all I can do is offer two retorts, useful for countering the party tawling gossip whose stories you wish to squash without actually being rude about it. They are: "How interesting. What is your evidence for this fascinating piece of information?" or, more archly, "Oh really? And are you personally acquainted with the lady?"

Dominic Lawson is Editor of *The Spectator*.

Major Major Major

Michael Thompson-Noel



I FIND John Major puzzling. Nothing ever daunts him. The British prime minister has backed himself into a shockingly tight corner on the UK economy and the European exchange rate mechanism, yet he just keeps smiling. Bullshit bounce off him. He is unmarked by criticism. No foe can vanquish him. He continues to watch cricket and to enjoy simple food. He is obviously a happy man, loved by the people. He smiles like a saint.

I think I have found the reason. I stumbled on it this week when reading Barry Gifford's novel *The Wild Life of Sadie and Lala*, in which Gifford, as puerant, recounts the story of the five Chinese brothers.

The five Chinese brothers were identical and lived with their mother. One brother could swallow the sea; another had an iron neck; another could stretch his legs an unlimited distance; another could not be burned; the fifth could hold his breath for ever.

The Chinese brother who could swallow the sea well, during one morning with a small boy who had begged to accompany him. The Chinese brother allowed the small boy to go with him on condition that he obey the brother's orders promptly. The boy promised he would do so. At the shore, the Chinese brother swallowed the sea and gathered some fish while holding the water in his mouth. The boy ran out and started to collect items of treasure.

The Chinese brother signalled for his companion to return but the boy did not pay any attention. The brother motioned frantically for the boy to come back, for he knew he would burst unless he released the sea. But his friend did not respond. The brother let the sea go and the boy disappeared.

The Chinese brother was arrested

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and condemned to have his head severed. On the day of execution he asked the judge if he could be allowed to go home and say goodbye to his mother. The judge agreed, and the Chinese brother who could swallow the sea went home. The brother who returned was the brother with an iron neck.

All the people in the town gathered in the square to see the sentence carried out, but when the executioner brought his sword down, it bent, and the head was not severed. The crowd became angry and demanded that he be drowned. On the day of execution this brother asked if he could go home and bid his mother farewell. The judge permitted it.

The brother who returned was the one capable of watching his legs. When he was thrown overboard in the middle of the ocean he rested his feet on the bottom and kept his head above water. The people were furious and decided he should be burned.

On the day of execution the Chinese brother asked permission to go home and say goodbye to his mother. The judge said: "It is only fair," and agreed to it. The brother who returned was the one who could not catch fire. He was tied to a stake and stacks of wood were lit, but the Chinese brother remained unscathed.

The people became so infuriated that they decided he should be smothered to death. On the day of execution, the Chinese brother asked to be allowed to go home to see his mother. The judge agreed. "It is only fair," he said. The brother who returned was the fifth brother, the one who could hold his breath indefinitely.

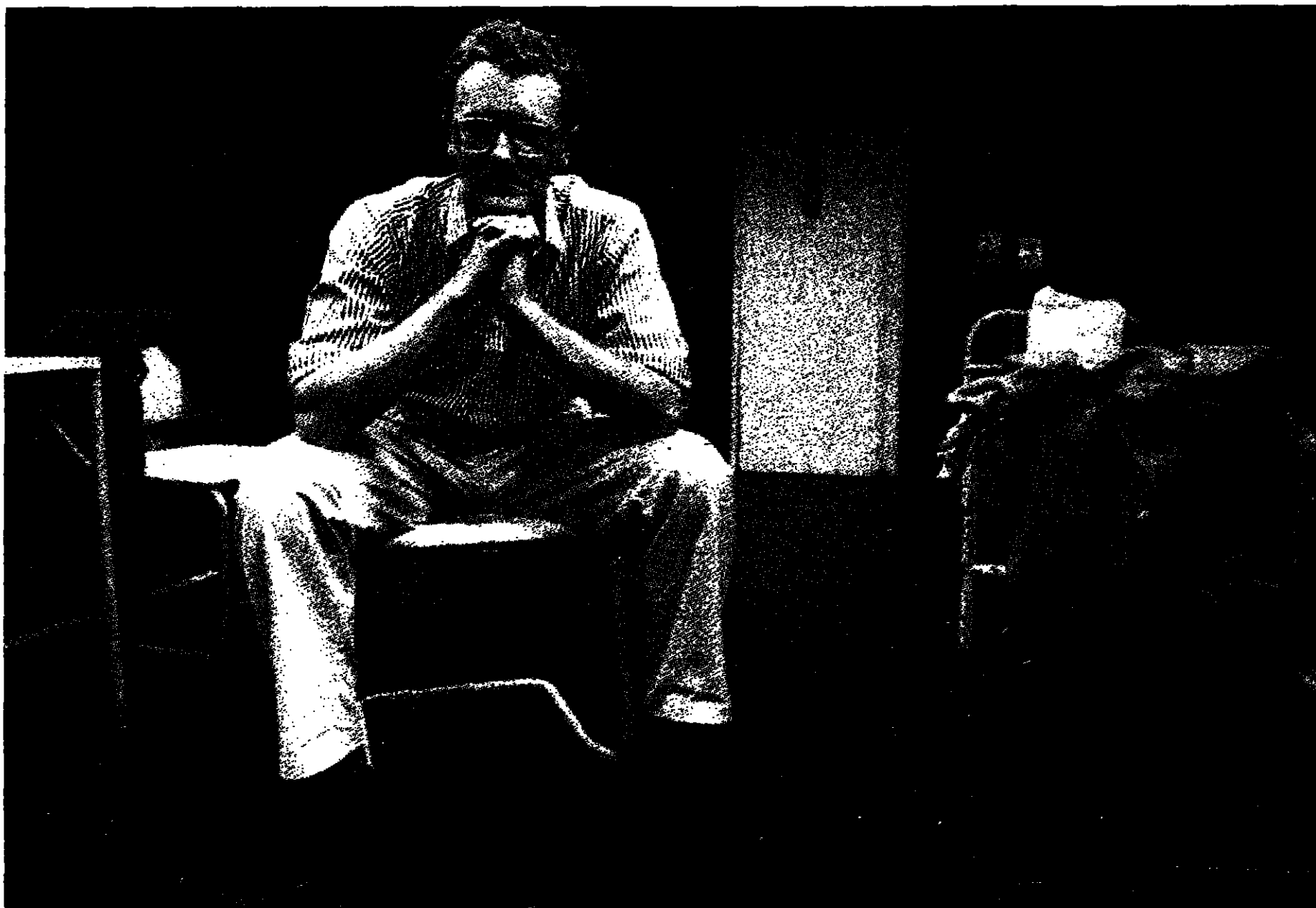
He was pushed into a brick oven filled with whipped cream and the door was locked tight until the next morning. When the door was opened and the Chinese brother emerged unharmed, the judge declared that since they had attempted to execute him by different ways, to no avail, he must be innocent, and ordered the Chinese brother released, a decision supported by all the people. The fifth Chinese brother then went home to his mother and he and his brothers lived happily ever after.

I read this story with mounting excitement. Later, I dialled No 10 Downing Street and asked to speak to the first John Major. You can do this if you have the special codes and if they know you.

"I was connected at once. 'How nice of you to telephone me,'" said the first John Major.

Ten minutes later I dialled again and asked to speak to the second John Major. I was connected at once. "How extremely nice..." he said.

I dialled three times more. There are five John Majors living in Downing Street. I believe they are there for good.



Rod Williams on the set of 'No Remission', which has earned him rave reviews but little money

Private View/Christian Tyler

Playwright seeks fair trial

Involving seven characters, Americans, in a Caribbean tax haven is intended not so much to mock cynicism as to satirise what Williams regards as the primitive superstition of even advanced societies.

I asked the author why, in *No Remission*, he had chosen a subject and a vernacular so far from his own experience.

"I think you have an intuition, an instinct. It sounds like a crazy idea: I hadn't been to prison. People warned me that however good the play was it wouldn't ring true, and if it did ring true, nobody in the theatre would know it and would suspect that it didn't. But when you decide what you're going to write about, nothing is going to stop you."

"It was another crazy idea to write a play in a foreign language, American. But you're driven to write when you have a hunch that you'll be able to do it."

A former lifer from Barlinnie jail declared *No Remission* to be the best play about prison he had seen. A group of convicts' wives were reduced to tears by it and said it was too strong to be shown to inmates.

"I've written a play about prison," Williams said, "but prison is just bricks and iron, a destination where

people end up. In a way prison represents - I don't want this to sound too high-falutin' - their fate for at least two of my characters."

Fate, as personified by ancient Greek tragedy, played a large part in Williams' inspiration. He has become an avid reader of Aeschylus and Sophocles and finds confirmation of his theme in Aristotle's *Poetics*.

"For me style and form are subordinate to content. The problem of drama is how to compress so that everything is essential - how to avoid the prosaic. That is something into which Aristotle had tremendous insights. Every time I read the *Poetics* a new sentence will spring out."

"Not in any superstitious sense. Only in the sense that character is fate and in so far as I think your cognisance of your own character is much more limited than you realise. I think that's also true of a culture and it's a kind of hubris to claim to understand it more than you do."

"To me, socialism was a form of hubris. It claimed an understanding of society and culture and economics: the boldness of its claims was so total and yet so completely wrong."

What are your politics, then?

"I regard Left and Right as terms which have been used to bamboozle minds that should have known better. Who is anything now? There's no longer any excuse for being Left or Right. Those are just ways of preventing yourself looking at society and its problems."

No Remission has been called an old-fashioned play, a criticism which Williams takes as a compliment to his craftsmanship.

"I get very easily bored in the theatre," he said. "You know, I'm not a sort of theatre buff. A good play is about a specific environment in which everyone can be interested. It should be immune to fashion."

What about feminist and ethnic plays?

"A play's a play. It's either good or bad."

Even if it's written for a designated audience?

"Well, I haven't any time for that. Political plays, like melodrama, become obsessed with the villain - in this case Late Capitalism is usually the villain and it has to be personified in a totally implausible way."

For a play to last it should create its own life, he continued. Too many relied on current topics or

opinions to give them a third dimension. "In ten years' time those plays will just look two-dimensional again."

Then what motivates you to write plays?

"I look at it this way. I write for myself. I write for me as the audience, I hope there will be another big audience for what I write. There's the pleasure of writing and polishing dialogue. There is a pleasure in being the God of your own world. I suppose I'm rationalising post hoc: I haven't got pat answers..."

"I suppose the desire to force people to see things your way. I suppose that's what you do. You give them a vision of reality and they have to accept it. The nice thing is you never know what people are going to say."

"I want them to enjoy themselves, that's another thing. But I haven't got an agenda. The writing of the play is an end in itself. Obviously I want it to be enthralling. People might misunderstand it. But if they enjoy it and they get something out of it, that's the bottom line."

"There is a view that a writer wants to change the world. I just don't know if I do or not. I think it is true that I want people to look at the stuff and say 'Yes, this is real,

this is plausible."

You cannot doubt the seriousness of this dramatist. Yet he says he is not resigned to living a life of poverty. If he cannot make it, he will stop.

"You can make a living but it may take a very long time. On the other hand, one good play can be very, very valuable. So I motivate myself with that fantasy. If I can't get anyone interested in this new play I shall be forced to do something else. I won't mind that. Sooner or later there has to be a reckoning."

If that moment arrives, I asked, what would you do instead?

"I don't know. I had thought of training to be a graphologist as a source of income. That also fascinates me. You see, there is a view that writers just have to write, that whatever the objective circumstances they'll do it. There's a certain amount of truth to that but there's a lot of nonsense as well."

In that brotherhood of anonymous toilers Rod Williams has had the self-confidence, talent (and luck) to be "discovered". But in these days of rising costs and ultra-cautious producers the detection of new talent is only the first step. Will the author of *No Remission* now get a proper hearing?

THE ALMIGHTY, it seems, has a key role in English education policy. A chapter of last month's education White Paper is devoted to "spiritual and moral development."

Religious education and collective worship, it argues, have a crucial role in promoting "the spiritual and moral dimension in schools." From them will come a "clear vision of community values," respect for people and property, honesty and consideration for others, trust, fairness and politeness.

It is the Christian - nay, Catholic - God that John Patten has in mind. The education secretary's views on the importance of eternal damnation in promoting discipline and obedience among the young were outlined while he was minister for law and order. "Dwindling belief in redemption and damnation has led to a loss of fear of the eternal consequences of goodness and badness," he wrote. "It has a profound effect on personal morality, especially on criminality."

The White Paper is more low key.

Where schools are going wrong

Andrew Adonis takes issue with a Godly prescription for education

"Proper regard should continue to be paid to the nation's Christian heritage and traditions," is the most bureaucratic can muster. Lady Blatch, schools minister, followed that by telling local authorities to produce religious education syllabuses which "reflect Christian traditions while taking account of the teaching and practices of the other principal religions."

Now, crime is crime, whatever its causes; and Christian leaders ought to condemn wrongdoing, even if they think more should be done for the under-privileged. No corner should be allowed to the moral relativism so prevalent among our comfortable liberals.

Although uncomfortable with hell-fire and damnation, I am even among the small band of Anglicans who attend church and am at one

with Housman: since, my soul, we cannot fly To Saturn nor to Mercury, Keep us must, if keep we can, These foreign laws of God and man.

For all that, Patten's policy is flawed. It confuses ethics and Christianity. (In Germany, pupils study one or the other.) It will offend the non-Christian communities comprising many of Britain's most troubled districts. It is also based on the dubious assumption that formal worship and religious instruction in schools have much effect on belief in society.

In the US, levels of Christian observance are three to five times higher than in Britain. Yet the constitution prohibits worship in state schools and urban crime levels make Bristol and Birmingham seem havens of peace. What is the cause?

There is no empirical evidence that goodness and fear of the Lord go hand-in-hand. Belief in God, or heaven and hell, is not a pre-requisite for living a moral life. Many Christians are "good," but enforcing Christian worship and instruction among rebellious adolescents is unlikely to slash crime figures.

It will, however, create problems in the state's relations with non-Christian minorities. If there are Catholic schools with tough regulations on school worship and RE, why not Muslim schools with compulsory Koran and selective admission based on observance?

The government is right to feature high standards of behaviour and community values in its education policy. But compulsory prayers and RE will not promote them where they are lacking: what is

needed is a greater sense of responsibility among some parents, and a stronger involvement by state schools in extra-curricular and community activities.

The education system cannot reform neglectful parents but it could do more, with local agencies, to help those unable to cope and to shield children at risk. One priority is a national policy for children who need, or would benefit from, boarding education. Most of Britain's boarding sector is only for the wealthy. The assisted places scheme does not cater for boarding, and social service departments rarely can afford to pay for children to board. What does the white paper say about this? Nothing.

It is hardly more forthcoming about extra-curricular school life - the sport, drama, music, travel, vol-

untary work and societies which used to play so large a part in schools and did so much to foster "community values." In New Zealand, these are dubbed not extracurricular but co-curricular activities.

The biggest disaster in British education in the past 15 years has been the shrivelling of that side of state schools. How many comprehensive still field sports teams on Saturday mornings? Even music is under threat because of shortages of funds and teachers.

Strikes by teachers in the mid-1980s, plus ill-judged ministerial onslaughts upon the profession, are the main culprits. But whoever is to blame, the consequences are clear: too many state schools now shut with the last bell, their co-curricular activities minimal or non-existent. Reviving them should be a priority.

When you compare Britain's independent and state sectors, the greatest contrast lies in how much more goes on outside classrooms in the private sector. And, no, it is not all done by the chaplain.